This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.

+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.

+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.

+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`

Hosted by Google

Hosted by Google

Hosted by Google

Hosted by Google

WHAT IS OUR TRUE POLICY?

IT IS HEREIN CONSIDERED:

BY A VIRGINIAN.

ESTABLISHMENTS OF CREDIT.

"To conclude: No man can by care-taking (as the Scripture saith) add a cubit to his stature in this little model of a man's body; but in the great frame of kingdoms, it is in the power of princes or estates to add amplitude and greatness to their kingdoms. For by introducing such ordinances, constitutions and customs as we have now touched, they may sow greatness to their posterity and succession. BUT THESE THINGS ARE COMMONLY NOT OBSERVED, BUT LEFT TO TAKE THEIR CHANCE."

Bacon's Essays (XXIX) *of the True Greatness of Kingdoms and Estates.*

"I have but one lamp by which my feet are guided, and that is the lamp of experience. I know of no way of judging the future but by the past."

Patrick Henry.

RICHMOND:
GARY & CLEMMITT, PRINTERS.
1866.

Hosted by Google

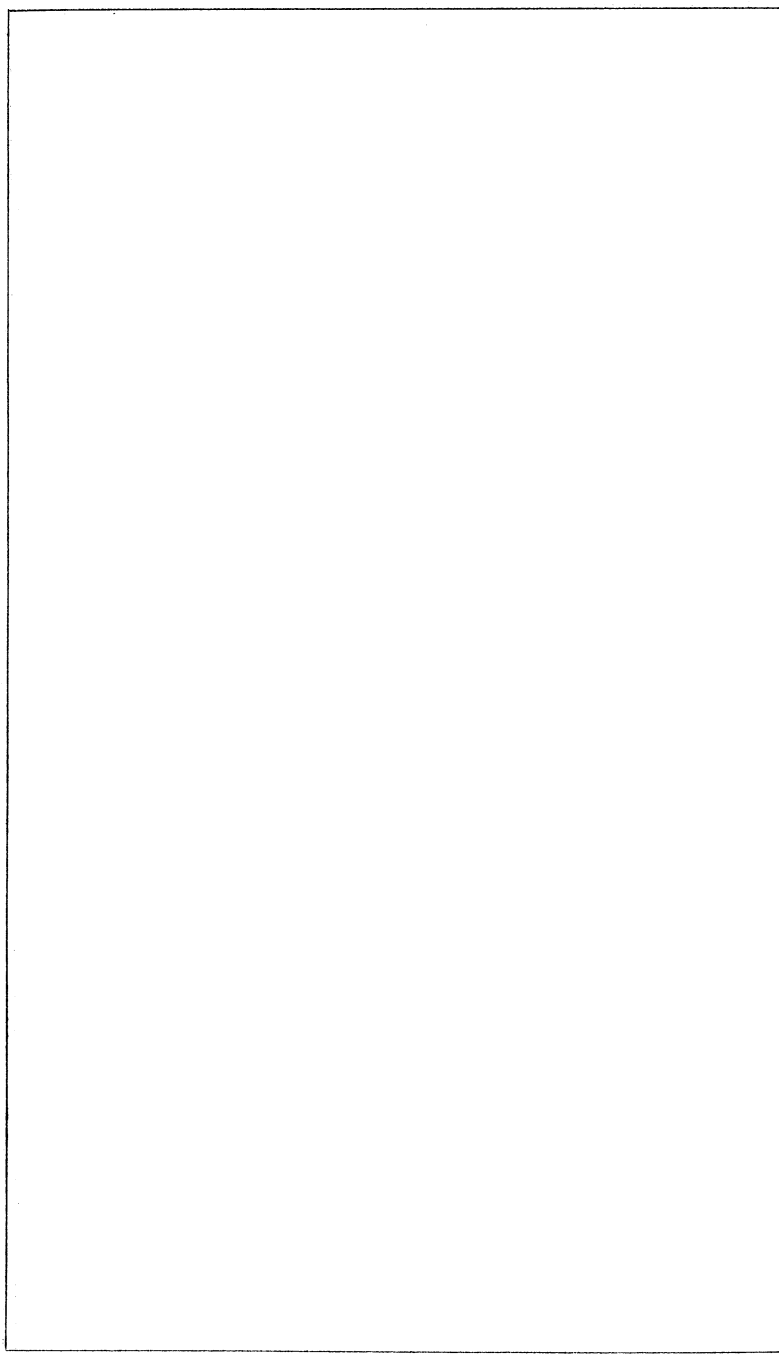
Entered in the year 1866, according to the Act of Congress,
By NATHANIEL TYLER,
In the Clerk's Office of the United States District Court for the Eastern District of Virginia.

Hosted by Google

PREFACE.

The following work is an attempt to survey the whole policy of the country, and to examine what measures are best suited with the public interests. It was the original intention to have brought out this work in two or more octavo volumes. This design was soon found impracticable; for the Author, incessantly diverted from this subject by professional duties, was unable to complete the whole work within a reasonable period of time; whereas the condition of the country imperatively demanded the adoption of measures to restore something like organization to society, revenue to the public treasuries, and activity to trade. Amid these circumstances the Author has decided to issue his work in the form of pamphlets, because he thought he discovered (if he may make such a public declaration without immodesty) in the measures he suggested, schemes which were likely to alleviate in a sensible degree some of our present sufferings.

Hosted by Google



Hosted by Google

CHAPTER I.

ESTABLISHMENTS OF CREDIT.

"To conclude: No man can by care-taking (as the Scripture saith) add a cubit to his stature in this little model of a man's body; but in the great frame of kingdoms, it is in the power of princes or estates to add amplitude and greatness to their kingdoms. For by introducing such ordinances, constitutions and customs as we have now touched, they may sow greatness to their posterity and succession. BUT THESE THINGS ARE COMMONLY NOT OBSERVED, BUT LEFT TO TAKE THEIR CHANCE."

Bacon's Essays (XXIX) *of the True Greatness of Kingdoms and Estates.*

"I have but one lamp by which my feet are guided, and that is the lamp of experience. I know of no way of judging the future but by the past."

Patrick Henry.

An attentive observer of those vicissitudes which are as tides in the mysterious ocean of human affairs must be struck by the revolution which within the last twenty—or shall I not rather say ten?—years has taken place in the social and political world. Down to this period of time the thoughts of statesmen were absorbed by war or diplomacy or politics proper. All other interests were neglected.

This revolution was brought about by the general introduction of steam into the places of labor, and by the great extension of the applications of iron to man's service. These events introduced radical changes in trade, and, as an inevitable consequence, into the whole organization of society. These changes have been made in a democratic direction.

The extensive character of the machinery required to whisk through space, almost with the velocity of a cannon-ball, multitudes of men and mountains of freight—to forge those massive pieces of metal we require to plate our ships and throw our shells—to spin textile fabrics to most deli-

Hosted by Google

cate gossamer—and to drive ocean steamships (whose necessities require that they should be towns and coal pits) across stormy seas, demanded even more money than a Coutts or a Rothschild could supply. Bankers then took lessons of Nature. She forms mighty rivers with accumulated rain-drops and melted snow-flakes. They imitated her example. They transformed banks from reservoirs of money, fed by one enormous purse, into lakes of money, fed by a great many small purses. Banking became democratic. Bankers sought that capital, which was more than their wealth could furnish, in the principle of association.

The huge machines which required so much capital to call them into existence, demanded more laborers than the ruder engines they displaced had found necessary. The new exigencies of trade likewise increased the number of men brought together. Toilers counted their fellows and found them many. Union gave them strength. The attrition of the workshop brightened their minds. Meantime machines continually waxed more powerful and more adroit. Each day they asked of the laborer less muscle and more brain. The primeval curse was modified. Man earned his daily bread more by the sweat of his brain than by the sweat of his brow. Tasks were daily wrought which imagination had never dared set the Titans. The task masters set over these mighty machines (to this position the humblest laborer was promoted) found their wages and their sequent comfort and capital and social position increasing. Labor became aristocratic—and this change, too, was democratic, for it embraced all the lower classes of the community in the general promotion. These new interests increased in power. They challenged the attention of governments, which were called upon either to facilitate their means of acquiring additional capital, or to exercise checks upon their proceedings, to preserve from waste the estates of citizens confided to them, or to protect citizens from their selfishness.

Hosted by Google

It behooves every statesman to ponder and to second this great change. Such conduct is in a particular manner the duty of our statesmen at this period of our history. Our fields are desolated. Our homes are laid waste. Our cities are blackened by fires and scarred by shells. Our trade is disorganized. Our citizens are in circumstances of straitened fortune. Our statesmen ought, at least for the present, to keep their eyes fixed on these economical wants. They ought not to allow all their thoughts and their whole policy to be engrossed by mere party quarrels. They ought to give, perhaps the first place, to those great questions of political economy on whose true solution the wealth, power and influence of modern States rest. Their right comprehension alone can retrieve our marred fortunes and raise us to that pitch of material prosperity to which we are justly entitled.

The government must no longer stand entirely aloof as it did before the war, and allow the citizens to trust to their own unaided resources. I am no friend to centralization. I am no advocate of a continual interference of the government in the affairs of men. God forbid! The policy I advocate has no such tendency. It is neither the English system of almost absolute non-interference of the government, nor is it the French system, where the government does everything and leaves the subject little else to do but pay taxes and pour out blood. The English system has been pursued here, because we failed to distinguish those differences which exist between us and the mother country in consequence of a dissimilar social and political organization. We have not those measures of primogeniture and entail which in England so foster the accumulation of capital in private hands, and local pride, and local attachment, and local public spirit, as to render State interference useless. Nevertheless, note how the causes to which I have alluded are driving even the imperial government to interference with trade: here lines of steamships are subsidized;

Hosted by Google

there children are shielded from the rapacity of parents; yonder poverty is protected from exhausting demands upon the human frame; elsewhere travellers are guarded from imperfect machinery and overcrowding. A hundred calls are made on government which never reached the ears of States in our youthful days. The French system is still less suited with our genius. We have reached manhood and would revolt from the French go-cart and apron-strings, even though they promised to lead us to affluence of wealth.

We must give a considerable place to these new interests in our scheme of public policy; and we must take care that no profligate adventurer drags them into the strife of party. We must, so far as we may, extrude and keep them from the taint of politics, in order that men shall not differ in opinion simply because the man who broached the subject was a Democrat and he who heard him happened to be a Republican.

"There are," I read the other day, "large and every day increasing interests, happily now disengaged from all tinge and taint of political passion, which yet concern the life and welfare of the whole nation, not less extensively and profoundly than politics themselves. We are past that stormy period of a nation's history in which the struggle for liberty and security absorbs all the energies and passions of life. Political action and the laborious and difficult duties of government have ceased to be the end and have become the means of progress. . . . . They leave without anxiety the guardianship and amendment of our constitution and laws to the authority which has so long maintained and exercised them, and devote all their energies to the richer and more grateful fields of commerce, science, literature, art and religion. These are the true interests of a nation. To these politics, and government, and war, and diplomacy are but the scaffolding and defences. Upon the advance of these really depend the progress and happiness of a people."

Hosted by Google

Look where we may at this particular conjuncture, our attention is most earnestly challenged by financial questions. We are not yet able to discover our circumstances of fortune with anything like accuracy. Nevertheless, all of us know that there are great quantities of paper money to be withdrawn from circulation, an immense floating debt to be consolidated, and the ruin which has desolated so many homes to be repaired. There are few men but lose all heart when they reckon the amounts of these liabilities. I confess I survey this sea of pecuniary liabilities, not only without dismay, but without loss of composure. The closer I examine our situation, the firmer does my confidence grow. We have but to use the machinery of trade to see the expanse of debt—broad and deep as it is—speedily drained. It is true we do at present lack this machinery. Let us forge it at once. Let us animate it with the spirit of association. Let us foster the energy of individual dollars. Let us impress on our mind that no fortune in the world, not even the fortunes of all the Rothschilds, are equal to the fortune of every body. Bearing this in mind, let us found and foster joint stock companies. The more numerous and prosperous these establishments are, the wealthier our citizens will grow, the more will they consume and produce, and consequently the greater will be the yield of taxation, while its burden presses still lighter on every head. We all require as individuals—as citizens of THE COMMONWEALTH—as citizens of the United States—organization of credit and of capital. We must forge machinery to collect the money which lies idle in every pocket, and metamorphose it into the most potent fairy of modern times—capital. We require the extension of that fertile, that democratic principle of association, which, wherever it has been introduced and fairly tried, has wrought wonders far beyond the loftiest flight of Arabian Nights Entertainment.

At the present time an Agricultural Real Estate Loans

Hosted by Google

Company and an Urban Real Estate Loans Company are of prime importance to us. We all require ready money. The farmer needs it to re-stock his estate, and bring it back to its old state of improvement, and to pay off debts incurred during the war, (when his fields yielded nothing,) and to meet his current expenses until crops can be harvested and brought to market. The town landlord needs it to place himself in position to meet the requirements of trade, to repair the ravages of war, and to meet those engagements he postponed until the restoration of peace.

These most admirable establishments of credit are unknown here: but they are ancient elsewhere.

They have in Prussia for nearly one hundred years conferred incessant advantages upon the people—although their organization was imperfect—during all the wars, all the revolutions, and all the commercial crises which have, within this century, repeatedly shaken that kingdom to its foundations.

Their origin will recommend them to us.

The Seven Years' War had brought Silesia to the very verge of ruin. Every body was nigh insolvent. The contending armies had desolated every field. Agricultural productions were so cheap as to leave no profit to the farmer. Money was scarce and commanded between twelve and fifteen *per centum* interest. The nobility had obtained a stay-law giving them three years' grace to pay off their debts. The humbler classes of society were plunged into the deepest distress.

The sight of all this misery inspired a Berlin merchant named Büring with a scheme for its relief. He discovered that the chief cause of the distress flowed from lack of confidence. He banded all debtors together and presented to the capitalist the responsibility of all in place of the responsibility of single individuals. All guaranteed the debts of each one. Frederick the Great at once saw the advantages of the scheme, approved it and lent the associa-

Hosted by Google

tion 300,000 Prussian crowns ($225,000) at two per cent. Other capital was obtained. Interest fell at once from twelve and fifteen per cent. to five per cent., and, besides, years were given to the debtors to pay off their debts.

The success of this establishment was so great that similar institutions were founded throughout Prussia, I may say in a very short time, when one considers how slowly every good idea makes its way among that slave of routine—Man. One was established at Brandenburg in 1777; another in Pomerania in 1781; a third at Hamburg in 1782; a fourth in Western Prussia in 1787; a fifth in Eastern Prussia in 1788; a sixth in Schleswig and Holstein in 1811; a seventh in Mecklenburg in 1818; an eighth in Posen in 1822; a ninth in Poland in 1825; a tenth in Bremen in 1826; an eleventh in Bavaria in 1826; a twelfth in Wurtemburg in 1827; a thirteenth in Hesse Cassel in 1832; a fourteenth in Westphalia in 1835; a fifteenth in Hanover in 1842; a sixteenth in Saxony in 1844; a seventeenth in France in 1852; and, lastly, an eighteenth in England in 1864. I shall not pursue their progress beyond Europe. I am anxious to show by these chronological particulars of their progress, how they have crept into favor, and how experience has approved them for valuable establishments.

Of a truth the value of this association is recommended in the strongest manner by this gradual adoption first by one neighbor and then by another. It proves that the tree was judged by its fruit. Its value to us at the present time is avouched by the circumstances under which several of those States adopted it. I have mentioned the causes which led to its foundation in Silesia. The distress caused by the insurrection of 1825 directed the attention of the Poles to it. The prostration of agriculture during the agitated years of 1848–49–50–51 led the French government to introduce it into France: "as you, sire, (the French Emperor) saw the admirable working of this institution in Germany."

Hosted by Google

Shall I exhibit the value of this Association by another light? Remember the agitated history of Europe during the last fifty years. There have been wars, revolutions, famines and commercial crises. Very well, notwithstanding these convulsions which destroyed so many other things, this Association not only escaped bankruptcy in every country where it was established, but it held its own position without once resorting to the extreme measures of the law to force its debtors to the punctual discharge of engagements. Furthermore, such is the stability of this Association, so great is the confidence it every where begets, that in agitated periods of time, when trade is stagnant and speculation paralyzed, its bonds have commanded higher prices in market than public securities themselves. I go no further back than 1848. In this revolutionary year the three-and-a-half per cent. bonds of the Real Estate Loans Company of Silesia and Pomerania were worth 93; the Western Prussian Real Estate Loans Company's bonds were worth 83; the Eastern Prussian Real Estate Loans Company's bonds were worth 96; while the bonds of the Prussian government were worth only 69, shares in the Bank of Prussia were worth only 63, and railway shares were worth only between 30 and 50.

Is this evidence of the value of this establishment insufficient? I adduce additional testimony to its worth.

Herr Bulow Kummerow, an eminent Prussian authority, speaking of the Prussian Real Estate Loans Company, said: "Land bonds effectually establish the credit of every owner of real property, inasmuch as he is enabled by their instrumentality to command a certain sum of ready money in proportion to the value of his estate. And while on the one hand the proprietor is free from the annoyance of having any loan on his estate suddenly called in, on the other hand the capitalist need not be paid off against his will. Every owner of property is thereby furnished with means

Hosted by Google

of improving his estate, and paying off, if advisable, any joint partners or co-heirs thereof that may exist."

John Stuart Mill says: "In Germany, one of the safest and most usual investments for small sums is a kind of land bond. The mortgages there were divided into shares, and the documents which conferred the right to those shares were very generally in use as investments by all classes, and were found very convenient and increased very much the facilities of mortgaging land for its value."

"I move the second reading of the Mortgage Debentures Bill. A measure of a similar nature passed this House last year as a private bill and went up to the House of Lords. There the objection was raised that the subject-matter of the bill was not one which ought to be dealt with by a private act. The bill was therefore dropped and a public bill, very much of the same nature, was introduced, and after undergoing very minute scrutiny and criticism was passed by their Lordships. The constitution of the Select Committee which reported in favor of that bill showed with what authority the present measure came before the House. The noble lords who sat upon it were the Lord Chancellor, Lord Derby, Lord Granville, Lord Stanley of Alderley, Lord Grey, Lord Redesdale, Lord Overstone, Lord Portman, Lord Devon, Lord Donoughmore, Lord Malmesbury and Lord Cranworth. .... A great deal has very properly been done by this House to extend the credit of personal property and to facilitate the sale and transfer of securities affecting personal estate; there has been an enormous extension of trade, and the applications of the principle of limited liability to the industrial pursuits of the country have enabled aggregations of small capitalists to engage in operations which could formerly be carried on only by merchants, bankers and large capitalists; the powers of trustees have been greatly enlarged, so that they might now invest funds in railway debentures and other securities which fifty years ago were never to be found within the limits of

Hosted by Google

a deed of trust.. The advantageous rates of interest, combined with the security which many undertakings offered, also materially affected the land credit of the country, because persons who had money to dispose of found it advantageous to invest in railway debentures or to embark in foreign, colonial or Indian loans. All these circumstances have of late years been constantly at work and have been yearly and almost daily narrowing the circle from which money could be obtained on mortgage of interests on landed estates. I do not mean to deny that it is still easy to obtain a first mortgage within any moderate limit as to amount; but I have it from very high authority that if there is any prior charge upon the estate, even ordinary small family charges, the difficulty of effecting a mortgage or borrowing money upon the security of the estate is enormous. The fact is that the great bodies who mostly undertake that sort of business have their tables so covered with applications that they pick out the plums and throw the others aside. If nothing is done to remedy these evils, they will go on increasing; for looking at the present state of commercial and monetary affairs in this country, I see no probability of any thing occurring to increase the value or facilitate the operations of land credit."—*Lord Naas, House of Commons*, 15 *Feb.* 1865.

This admirable establishment of credit not only relieved the distress superinduced by war in Prussia. It wrought a great social revolution there. Prussian peasants were mere tenants of the farms they cultivated. The fee was vested in noble families. Rent was paid in a variety of feudal services and fines which were more or less vexatious. That yearning after absolute possession of land which is implanted in every breast, and which the longest lease fails to satisfy, could not be gratified. The peasant was too poor to purchase his farm and to compound for all these services and fines until the Real Estate Loans Company came to his assistance. Its assistance was so effectual that at the pre-

Hosted by Google

sent day there is scarcely a peasant in Prussia who is not the lord of the fields he cultivates. In Austria the same social transformation is at present taking place under the auspices of a Real Estate Loans Company.

When one considers the passion—it almost reaches phrenzy—man has for the possession of land and (compared with the income yielded by other investments) the insignificant revenue it returns on the capital placed in it; and, furthermore, when one considers the importance of agriculture in every society, the value of a Real Estate Loans Company, even in periods of long unbroken peace and prosperity, may scarcely be over-estimated. Adam Smith gave it for his opinion that the capital of money borrowed on land could never be re-paid, because all the revenue arising from the property would be absorbed to pay the interest accruing annually, and nothing would be left to pay off the capital. A later political economist of authority said; "If you do not afford the means, if you do not give agriculture capital at a low rate of interest, landed proprietors cannot avoid bankruptcy." Of a truth, how may the agriculturist free himself from debt, if he has borrowed money at six per cent. interest to the full value of his estate, while the latter yields only four or five per cent. at the utmost? He cannot possibly extricate himself unless a Real Estate Loans Company comes to his relief.

Let me now exhibit the foundations on which this most admirable establishment of credit is built.

It lends money to the owners of real estate and *agrees to hold them quit of the re-payment of the capital lent, upon payment of interest.*

This seems a paradox. It is nevertheless a very plain truth. So no one could make the egg stand on end until Columbus broke it.

The debt—interest and capital—is extinguished in the first place by the payment of interest as interest, and in the second place by the accumulation of the interests at com-

Hosted by Google

pound interest. Take an example by way of illustration. John Doe borrows $100 of a Real Estate Loans Company, payable, say, in forty-seven years. The Company will charge him for this term of years—for the rates of interest charged will differ with the number of years for which the money is borrowed; being higher as they are less and lower as they are greater—the Company will charge him for this term of years eight per cent. interest per annum, of which

6 per cent. will go to pay interest on the capital lent;
1 per cent. will go to defray the Company's expenses of administration;
1 per cent. will go to form the sinking fund;

Total, 8 per centum per annum.

John Doe will pay this interest semi-annually, say four dollars on the first of January and four dollars on the first of July of every year.* The first year—if we suppose the loan to have been made on the first of January—there will be only one-and-a-half per cent. interest carried to the sinking fund. This will accrue on the hundred dollars borrowed and on the fifty cents paid to the sinking fund on the first of July: for a dollar a year being paid for the sinking fund, fifty cents will be paid at the expiration of the first six months; these fifty cents will at once be placed at interest. Thus it is seen that the interest is reckoned semi-annually, and the interest accrued is likewise put out at interest semi-annually. This would give the following results:

1st year	$1.0150
2d "	2.0450
3d "	3.1086
4th "	4.2196
5th "	5.3649
6th "	6.5456

* To avoid intricate calculations, I suppose the interest paid semi-annually. It ought to be paid monthly, as I hope to demonstrate.

Hosted by Google

7th year	7.7628
8th "	9.0075
9th "	10.3008
10th "	11.6330
11th "	13.0074
12th "	14.3243
13th "	15.7819
14th "	17.2845
15th "	18.8305
16th "	20.4273
17th "	22.0730
18th "	23.7600
19th "	25.5070
20th "	27.2870
21st "	29.1450
22d "	31.0600
23d "	33.0640
24th "	35.1000
25th "	37.1990
26th "	39.3630
27th "	41.6240
28th "	43.3920
29th "	45.7480
30th "	48.1760
31st "	50.6790
32d "	53.2590
33d "	55.9190
34th "	58.6610
35th "	61.4880
36th "	64.4020
37th "	67,4070
38th "	70.5040
39th "	73.6970
40th "	76.9890
41st "	80.3820
42d "	83.8650
43d "	86.4700
44th "	90.1560
45th "	93.9560
46th "	97.8740
47th "	101.9130

Thus, in somewhat less than seven-and-forty years John Doe will have entirely cleared himself of debt upon the

Hosted by Google

mere payment of eight per cent. per annum interest. The Company undertakes at its own risk the management of the sinking fund.

Suppose John Doe had borrowed from a money-lender these $100 at six per cent. per annum and for as long a period of time. He would pay $276 interest in the course of the forty-seven years, and at this expiration he would be required to return the $100 originally borrowed; that is to say, he would pay the money-lender $382 for the loan. Now he pays the Real Estate Loans Company (if he borrows from it) only $376 (multiply 47 years by 8 per cent.); consequently he saves six dollars, that is six per cent. on the whole sum. If he had borrowed $100,000 he would have saved $6,000, besides having the use of the whole capital, and having the *certain* enjoyment of a long period of time to clear himself.

It may be objected that a landlord whose real estate yields less money than would suffice to pay the interest on his debts could not possibly procure the additional sum of money required to form a sinking fund. But the rule of all Real Estate Loans Companies is never to lend an amount of money on any one estate above one-half of the confessed value of the estate mortgaged. The landlord's ability to pay the Real Estate Loans Company is therefore secured before the loan is made to him, and no loss can fall on the Company from this source.

It may be said that the Real Estate Loans Company will be of little service to men who owe as much money as their estate is worth. I am afraid it is unquestionably true that the Real Estate Loans Company will not be of much assistance to men in desperate circumstances of fortune. I never heard of any Company that could assist such men. They are the quarry of Shylock.

Nevertheless, the Real Estate Loans Company may be of much more service to men in deeply embarrassed circumstances of fortune than might at first be supposed. John

Hosted by Google

Doe owes $100,000. He possesses an estate worth $100,000. He feels the weight of years growing heavier upon him, and he would extricate his estate from debt, that when he goes hence he may leave his children in some happier condition than penury. At present his situation would be utterly hopeless. Every year sees him sinking deeper into the slough of debt. His estate yields $6,000 revenue annually; the interest on his debts absorbs all of it. If we had a Real Estate Loans Company in THE COMMONWEALTH he might mortgage his estate for $50,000. He would with this sum of money immediately discharge $50,000 of debt. This leaves him with $50,000 of floating debt due within a short period of time, and a consolidated debt of $50,000, which will be paid off in insensible instalments in the course of seven-and-forty years. He resolutely sets to work to transform the floating debt into a consolidated debt. As he pays the Real Estate Loans Company he borrows from it. The Company lends without hesitation, because the value of the pledge remains undiminished. He perseveres. In process of time he will have the satisfaction of seeing his estate cleared of debt. It is a long and painful task, but it is less painful than despair and absolute poverty. Long and painful as the process is, perseverance will at last be rewarded with an unencumbered estate of $100,000. The prize is worth the struggle.

The long and *certain* period of time granted to borrowers by the Real Estate Loans Company is a very great advantage to the farmer. He can feel no fear of commercial crises, or of the lender's death, or of changes in the latter's fortune or position; therefore he need never dread a harsh or unexpected foreclosure of the mortgage. These conditions offer particular advantages to persons engaged in industry or trade.

A young man sets out in life. His first wish naturally is to purchase a home for his wife, as young as himself, and for the children he hopes to assemble around him. He has

Hosted by Google

some capital; but he is wisely averse from taking it out of his thriving business. He buys a house suited with his means. He at once mortgages it for half its value to the Real Estate Loans Company, and returns to his business capital this money which yields him in trade twelve per cent. interest. If he is as prosperous as Hope promised, he may, whenever he pleases, redeem the mortgage. If misfortune overtakes him, he has a home for his family, which will not cost him more than ordinary house-rent.

The only way in which persons pursuing trade or industry should purchase their homes is this way of paying for them in a term of years. It may be laid down as a general rule, I had almost said as an axiom, that a person in trade or industry should never sink any portion of his capital in real estate. He should never own the house he lives in, or the shop or office he occupies; because the money requisite for the purchase of a house could be a great deal more profitably employed in trade, and because one of the cardinal maxims of trade is that the trader should keep every dollar of his capital constantly under complete control. All men know that real estate cannot be sold at a moment's notice, especially in periods of crisis which are precisely the epochs when people in trade require every cent of their capital.

Now if a person pursuing industry or trade has forty-seven years to pay for his house, and the money borrowed therefor costs him less or scarcely more than the house-rent he now pays, reason will warrant his purchase of a home for his family. He will not act judiciously in surrendering the advantages of a house furnished by borrowed capital at a low rate of interest.

In Europe people engaged in trade never think of investing any portion of their capital in real estate, although in Europe money to any amount is always to be had at a low rate of interest. This resolution is one source of the great wealth of the English people. There none but exceedingly rich people buy land. They wisely prefer renting even

Hosted by Google

their farms to buying them. They remember Adam Smith says, the tenant-farmer is a man who trades on borrowed capital—borrowed capital held at a low rate of interest, and whose principal he is never expected to re-pay. The English people rent their farms and invest their capital in securities, which return twice, thrice, or many more times as much interest as land yields. We ought to learn with greater docility the lessons taught by Europe. They are dear-bought lessons, purchased by a thousand years' experience.

Every person familiar with the conditions of trade in the South-West, knows what an enormous tax is levied by factors on planters for the advances made the latter. Ten, twelve, fifteen and more per cent. are the common rates of interest charged for these loans. Besides, the planter is placed completely in the power of the factor. The crop is often sold to satisfy the exigencies of the latter's situation. This custom is likewise most oppressive to the factor. It obliges him to keep at command a large amount of capital, and exposes him to a variety of hazardous risks. Let a Real Estate Loans Company be established at New Orleans (to instance one of the great cotton and sugar markets), and this most pernicious custom of trade will entirely disappear.

We all know the serious embarrassments of our millers and tobacco manufacturers at particular seasons of the year. They are obliged to purchase in a few months the raw materials which are to supply their manufactory during a whole year. They have a great capital locked up in the buildings necessary to their business. The banks are costive. If we had a Real Estate Loan Company they might easily mortgage their establishment for and procure half the money it cost. This measure would put them at ease. They might extend their field of operations and concurrent wealth. They would be paying eight per cent. for the use of money which would be yielding them twelve or more.

I can conceive only one class of landlords who may find

Hosted by Google

embarrassment in using Real Estate Loans Companies. These are tenants for life. I am sensible of the delicacy of this subject. May we not introduce a law providing that tenants for life, who contemplate permanent improvements of the estate, (such as building warehouses or dwelling-houses), which cannot but tend to increase the value of the property, may go into court and pray for an order authorizing them to pledge not only their own interest, but the estate in remainder? Besides, there is life insurance to assist tenants for life. No Real Estate Loans Company would be likely to refuse a loan to a tenant for years of good character, who, at the same time that he mortgaged his estate, transferred to the Company a policy of life insurance equal to the whole amount borrowed.

As this establishment of credit solved in Prussia, and is solving in Hungary, the question of serfdom, so it may rid us forever of the formidable Negro Question.

It will enable us to place their fate in the hands of the negroes themselves. We may with its assistance be enabled to pass through the great social revolution, in whose midst we are, without a shock, almost without a jolt of the vehicle of State. It will transport all of us—white and black—from slavery to freedom by insensible changes. It will attach the negro to the soil, and give our landed proprietors a sufficient supply of suitable labor. It will, at the same time, raise the negro to independence of fortune, and, in process of time, to those social and political advantages which flow from the possession of wealth. What is more, it will do all these things wtthout costing us a single cent.

These ends are to be attained by pursuing this course.

Establish an Agricultural Real Estate Loans Company in each State. Give each head of a family of negroes, and each unmarried male negro, who may be 18 or more years of age in the current twelve month, a farm of twenty acres. This farm to be allotted him, if possible, on the estate where he has lived and labored. His old master should allot these

Hosted by Google

farms. The negro may appeal from this allotment to the county court, or may decline to accept it. These farms to be formed entirely of fields which have been under cultivation, and to contain no wooded land. The present landed proprietor to build on this farm a log cabin and shed, such as we see used for negro quarters and cow-house on all our plantations. These habitations will, of course, be rude and rough; but they will not be ruder or rougher than the dwellings we see free negroes inhabit, and the abodes of the best European peasantry. It should be recollected that at present the all-important point is to make a beginning, to place the negro on the path which leads to wealth, and leave the rest to his own exertion. As he waxes rich he will grow fond of comfort, and, in course of time, he will have a home, which the white laborer of the North may look upon with envy.

The proprietor of the land shall receive for each messuage two thousand dollars in cash. The negro will obtain this money by mortgaging his estate to the Agricultural Real Estate Loans Company. I have already said it is one of the fundamental principles of these establishments of credit never to lend a sum of money exceeding one-half of the value of the whole estate mortgaged. Therefore the Federal Government must come to the negro's assistance. As the whole United States have taken a deep interest in the negro's emancipation, it would be manifest injustice to throw whatever risk of loss may exist on a part merely of the country. It would, too, be impolitic to make the neighborhood, in which the negro must work out his temporal salvation, pay the penalty for his misfortune or misconduct. Besides, the negro—known only in slavery—has no credit. He can give none of those moral guarantees of honesty which almost every white man may command. The negro, if unsupported by no powerful patron, could probably obtain no money from Real Estate Loans Companies on his mortgaged property. There is as yet no market in the Southern

Hosted by Google

States for such small farms. Therefore the Federal Government must guarantee the negro's whole debt.

The negro would give to the Real Estate Loans Company, from which he borrowed the money, a first mortgage on his farm, accompanied by his wife's relinquishment of all dower rights thereon, *quoad* the Company. As it would be advisable for him to borrow the first year's interest of the loan, he would, with the aforesaid deeds, give the Company 395 bonds for $14 40, payable respectively from month to month, according to their date, and one bond for $31 40, payable 396 months after date. This last bond would be for thirty-one dollars and forty cents, because at the expiration of the thirty-third year there would still be a balance of seventeen dollars due, and it would be advisable to pay this balance at once, instead of extending the instalments beyond the thirty-third year. Thus, if this arrangement is adopted, in 1898 all these negro families will possess a valuable farm in fee simple, upon payment of less rent than the ordinary tenant for a term of years pays. While the negro lodges these securities with the Real Estate Loans Company, the State Government would likewise give the Real Estate Loans Company its bonds in the same number and for the same amounts, to wit: 395 bonds for $14 40, (fourteen dollars and forty cents), and one bond payable 396 months after date for $31 40, (thirty-one dollars and forty cents); the former payable respectively from month to month, according to their date, if the negro failed to meet his engagement. As the negro from month to month cancelled his bonds, the State bonds should be cancelled and returned to the proper authorities. The Federal Government in turn would give the State Government 395 bonds for $14 40, and one bond payable 396 months after date for $31 40; the former payable respectively from month to month according to their date, if the negro failed to meet his engagement. As the negro from month to month cancelled his bonds, the Fede-

Hosted by Google

ral bonds should be cancelled and returned to the Secretary of the Treasury.

In this manner the Federal Government would be relieved of all care, except to ascertain, in the first instance, the number of messuages alloted. In the place of one distant government, there would be fifteen governments familiar with persons, things, and all other particulars, directly interested in the success of the scheme, and able to take efficient measures suited with local circumstances. They would be able to exercise constant superintendence over the whole measure. They would be in constant confidential communication with all parties. They would avoid the mistake into which system-mongers at Washington would be sure to fall, of pursuing the same plan in Maryland and in Louisiana, in Kentucky and in Texas. In this way the chances of the success of the scheme would be sensibly increased.

Thus the landed proprietor would receive his $2,000 in cash; the negro would be in possession of a valuable fee simple estate upon payment of a mere rent of $172 80; and the Federal Government would settle forever the Negro Question without spending another cent.* At least I am

* The late Count de Gasparin (who had taken part in public life) discussed in one of his works the best method of raising laborers from serfdom to freedom. The method I have suggested to public attention did not present itself to his mind; but the very objections which he urges to all the methods he could discover, as well as the advantages he saw in them, will go to demonstrate the excellence of the plan above mentioned. I beg permission to quote his remarks:

"When serfs are freed (it will be noticed he is discussing serfdom and not the slavery of one race by a superior race; if this remark be borne in mind, his observations will appear still more forcible when applied to the circumstances which environ us), they become masters of their person and of their time; but legal servitude scarcely ceases before they feel the full weight of the servitude necessity imposes on them. Placed upon a soil of which no portion belongs to them, deprived of the support which their lord was accustomed to provide, if no new methods of existence be opened to them, they will curse the day on which a pretended blessing was inflicted on them. Should the landlord undertake to farm his estate by taking his old serfs as hirelings? If he does, he is placed in an unfavorable position compared with landlords who farm their

Hosted by Google

persuaded, by the experience of the world, that it would lose nothing. I am convinced with Arthur Young: "The magic of property turns sand to gold. Give a man the secure possession of a bleak rock and he will turn it into a garden. Give him a nine years' lease, and he will convert a garden into a desert."

Besides, the negro children will annually be attaining manhood. In the new villages, as in our older cities, the sons of thrifty parents will oust the indolent, and fulfil the

---

estate in other portions of Europe long since rid of serfdom. Because he cannot choose the best workmen, he is obliged to employ all his old serfs, under pain of seeing his estate and neighborhood and himself lose a population which may become useful to him. He must hire all their time, because they will not elsewhere find any other sort of work. Now what difference is there to either party between such a condition and slavery: the lord obliged to feed and hire his old serfs, the serfs unable to get work, except from their old lord, and looking to him for their support? The name of the relations alone is changed; because the immense extent of the country, the obstacles to men's change of residence when they possess no capital, perhaps laws restraining their liberty of going and coming, the common interest of lord and serf to discourage emigration and to refuse foreign peasants, destroy every incentive to activity and energy, and every germ of happiness and progress. Such a system of farming can offer no advantages, unless there exists a free competition between land owners and laborers. It can never be useful to either party except upon this condition. But after the abolition of serfdom, society must pass through other stages of progress before it can enjoy this free competition between demand and supply. If a better order of society is sought, the policy pursued should be to create personal property among the old serfs, to await from those vicissitudes of life brought by procession of time a real division of land, and in the mean time to create an artificial division of the landed property. Should the system by which the tenant gives so many days' labor to the lord's land be adopted? In other words, should lords exchange the obligation of supporting the serfs for a new contract by which they agree to give serfs a certain portion of ground to cultivate on their own account upon condition of exonerating the lords from their support, and further upon condition of giving the lords labor for a certain number of days in payment of this land? This is a real progress compared to the method last discussed. The interests of the lord and those of the serf are separated; each of them becomes individualized; the serf knows that the labor he bestows on the land granted him is a pledge of his ease and comfort; he labors harder to make it more fruitful. The land brings forth more abundantly when tilled by freemen's hands, and, if the conditions of the

Hosted by Google

contract sloth failed to perform. White emigrants, also, will be pouring in, and will be too glad to secure a farm on these terms. Again—every year that passes away will make the farm more valuable to the negro: he will put his money and his labor into it, all which he may lose if he fails to keep his engagements. Lastly, those laws which are provided in all of the States for the punishment of vagrants and vagabonds will spur the laziest negro to thrift.

---

lease are fair, the serf's estate will daily be more embellished. Will this be the case with the land remaining in the lord's hands? The hands which were free three days of the week become slaves' hands the other three days. The serf learns to distinguish between the labor he bestows on himself and the labor he bestows on his lord, and this distinction will be fatal to the lord's interests. The lord has thrown off the burden of supporting his serf, and this certainly is a great point gained; but the estate still in his possession is far from yielding him what it would bring under a different system. If the lord is wise, he will soon abandon this system of rent paid by labor; or, which is still better, he will never have any thing to do with it. This feudal system does not differ from the plan of leases for several lives or for a great many years except in this particular: In the former, the grant of lands made in consideration of a certain portion of the fruits or of rent in money is forever and is a definitive alienation of the real estate. This method presents many advantages to the freed serf. He becomes in reality the owner of the land he cultivates. The lord, however, loses all hope of increasing his revenue in the future; and now-a-days, when landed proprietors observe the facility with which, after a long period of time has elapsed since the original growth, the tenant comes to look on the estate as belonging to him in fee simple, and the rent, which is the condition of its enjoyment, as wrung from him by duress, it is doubtful if many lords would agree to adopt this method again, although *it is the surest and quickest method of rapidly ending serfdom and of obtaining for the landlord a revenue equal or superior to that which he enjoyed before the abolition of serfdom.* Leases for several lives or for a great many years have not all the advantages of the tenure just described either by way of securing the good cultivation of the land or securing the tenant's enjoyment of the improvements he may have made. The tenant knows perfectly well that he is not the tenant in fee simple, and when the end of the lease draws near he is prone to neglect or to injure the land. Nevertheless, this method is a practicable and advantageous mode of abolishing serfdom. Lastly comes the system of farming in partnership. If we compare it to the system by which the tenant gives so many days' labor to the lord, it is easy to see that farming in partnership is far more profitable to the lord. In this partnership farming, the tenant-farmer

Hosted by Google

It should not be forgotten that all these negro landed proprietors have a family. They will make their children work*.

cannot possibly distinguish in his labor which will enure to his and which will enure to his landlord's profit. This impossibility obliges him to exert the same industry in every thing relating to the farm; and if the quantity of land he cultivates is in proportion to his strength, he draws from it every thing that may in reason be hoped. This system is also more favorable to the farmer than the system by which the tenant gives so many days' labor to the lord. The farmer works at the most favorable period sure that he will not be obliged to interrupt his occupations in order to labor for another. He is protected from feeling aversion for that labor in stranger's service in which he can feel no real affection. The time given usefully to his own farm is in no wise diminished, and by relieving him from the ungrateful task of laboring for a stranger he is protected from the danger of bringing into his own service those careless and lazy habits he may have contracted in that distasteful task. I therefore think the advantage is altogether with the system of partnership farming, compared to such task-work. As for the system of long leases, I must confess it is much more to the interest of the tenant than either plan. Becoming, so to say, a landed proprietor at once, and paying a rent whose ratio to his productions decreases with the progress of his agricultural labor and skill, the tenant's position is a great deal happier. The landlord, however, does not equally find his advantage in it."—*Gasparin's Partnership Farming, Chap.* XII.

Need I pause to point out how the scheme I recommend in the text has all the advantages and none of the disadvantages of the methods examined by this author? The negro becomes a tenant in fee simple at once upon condition of paying off the debt charged upon his estate. He has nothing whatever to do with his old master. His revenue is dependent solely upon himself.

*If any person be disposed to question the ability of negroes to earn $172 80 in the course of a year, and at the same time to live in comfort, let him look at the condition of affairs established in Louisiana. There these rates of wages have been adopted:

Male hands...	$10	a month,	first class.
" "	$ 8	"	second class.
" "	$ 6	"	third class.
Female hands	$ 8	"	first class.
" "	$ 6	"	second class.
" "	$ 5	"	third class.
Boys under 14	$ 3	" month.	
Girls under 14	$ 2	"	

There are deductions made in cases of sickness, and one dollar poll tax is levied on every negro between the ages of 18 and 50. Take a family of five negroes, husband, wife, one son and two daughters. The husband and wife

Hosted by Google

The latter ought to pay all the rent. I reckon, too, upon the happiest results flowing from the moral influence of the old master and his family. He will teach these improved methods of cultivation. He will warn those of the consequences of their idleness. He will assist the unfortunate, and enable them to extricate themselves from temporary embarrassment. He will protect his old dependents against all the world. He will "stand master" for them. He will employ in his remaining fields the supernumeraries of their families, and so aid them in reaching independence of fortune. He will be the Roman patron. They will be the African client.

In this manner the old master will not only be protected against loss, and the negro put into a position where he may acquire wealth, but the white population will be enabled to supply the other establishments of credit with the capital they require. They will be able to grant new farms to white or black purchasers without the intervention of the Federal Government. They will be in position to introduce steam machinery to supply labor whenever it may prove inadequate. They will be able to build the necessary shops and stitheys required by the new village, and to erect the cotton gin and press, or other necessary works. They will be in position to enter into contract of henrico* with the negro,

---

remain at home to attend to the farm. The son earns only $6 a month, and the two daughters earn only $5 each; this places the family in possession of $192 a year, and no account whatever is taken of the produce of the farm. It is true, the daughters will, in course of time, leave the paternal house; but the son will marry and bring his wife to supply their places, and as he increases in skill and strength his wages will increase.

* Contract of henrico, or, as it is commonly called for sake of brevity, henrico is an agreement by which capitalists place in farmers' hands cows, sheep, hogs, mares, goats, bees, and the like animal stock, upon condition that one-half of all their increase be given to the capitalist, and that at the expiration of a given period of time stock equal in kind, quality and number to that which was originally furnished, or their equivalent in money to be agreed upon at the signature of the contract of henrico, shall be returned to the capitalist. Whatever

Hosted by Google

or buy his crops to their common advantage. They will be able to lay out the new village with taste, separating the opposite rows of detached cabins by a square 50 or 100 yards wide, filled with trees, and bordered on both sides by a road. The trees will give health and shade and privacy, and adorn the village more than sculpture or architecture could hope to do.

After this provision has been made for the negroes, there will still remain valuable estates of improved land in possession of the white population. They will retain considerable tracts of forests, which will prove at once a source of revenue to them. The negroes will buy from them wood and fuel for carpentry.

I take THE COMMONWEALTH for instance. We had in 1860, as appears by the last census, (I quote from tables given in *National Almanac*), 11,435,954 acres of improved lands in farms. There were 490,865 slaves of both sexes. I reckon five persons to each family. Every body familiar with negroes knows that this figure is considerably below the average number which composes a negro's family. I make no allowance for domestic servants or artisans employed in towns; neither do I consider the losses which our negro population have sustained by deaths and by removals. Taking the above-mentioned figures for true, we should have 98,173 families, each of which is to be provided with twenty acres of land. These families would require 1,963,460 acres. We should still have left in white hands 9,472,494 acres of improved lands in farms, 19,578,946 acres of unimproved lands in farms, and 8,250,380 acres of unimproved lands not in farms. These last figures, I ought to add, I do not give with implicit confidence. The phrase used in the *National Almanac*, "unimproved lands in farms," leads me to infer that the unimproved lands *not* in farms are

---

loss may occur by death or otherwise is borne solely by the farmer. When farmers have no capital this contract is found advantageous.

Hosted by Google

excluded from the return, especially as Lloyd in his *Map of the Southern States* gives 39,265,280 acres as the superficies of THE COMMONWEALTH. His *Historical and Descriptive Sketch*, however, abounds with inaccuracies.

The following table exhibits the quantity of land left in the hands of the white population of the other States. I repeat, these figures fail to represent the real quantity, because I have purposely omitted all allowance for deaths, removals, domestic servants, factory people and artisans. I have reckoned each negro family as composed of only five persons, which I believe is 50 per cent. below the average number. I have, too, discarded the fractions of families, and given the next higher figure. Thus, in Maryland there are 17,457¾ families of five persons each. I set them down for 17,458 families. The above-mentioned reserves show why I have admitted the figures for the District of Columbia and for Louisiana, although they are manifestly absurd. The great majority of negroes in both places is composed of domestics and artisans, who have good homes and are earning good wages. They do not require a messuage.

Hosted by Google

STATES.	Acres of improved Land in Farms.	Acres required for the Negro Messuages.	Acres of Improved Lands left in White Hands.	Acres of Unimproved Lands in Farms.	Male Negroes.	Female Negroes.	Total Number of Negroes.	No. of Negro Families reckoned as containing on an average five members each.	Amount of Money required.
The Commonwealth	11,435,954	1,963,460	9,472,494	19,578,946	249,483	241,382	490,865	98,173	$196,346,000
Delaware	637,065	7,200	629,865	367,230	860	938	1,798	360	720,000
District of Columbia	16,267	12,740	3,527	16,789	1,212	1,973	3,185	637	1,274,000
Maryland	3,002,269	349,160	2,653,109	1,833,306	44,313	42,876	87,189	17,458	34,916,000
North Carolina	6,517,284	1,324,240	5,193,044	17,245,685	166,469	164,590	331,059	66,212	132,424,000
South Carolina	4,572,060	1,609,640	2,962,420	11,623,860	196,571	205,835	402,406	80,482	160,964,000
Georgia	8,062,758	1,848,760	6,213,998	18,587,732	229,193	233,005	462,198	92,438	184,876,000
Florida	676,462	246,980	429,484	2,273,008	31,348	30,397	61,745	12,349	24,698,000
Alabama	6,462,987	1,740,320	4,722,667	12,687,913	217,766	217,314	435,080	87,016	174,032,000
Mississippi	5,150,008	1,750,540	3,399,468	11,703,556	219,301	217,330	437,631	87,527	175,054,000
Louisiana	2,734,901	1,326,920	1,407,981	6,765,879	171,977	159,749	331,726	66,346	132,692,000
Texas	2,649,207	730,280	1,918,927	20,486,990	91,189	91,377	182,566	36,514	73,028,000
Arkansas	1,933,036	444,460	5,488,576	7,609,938	56,174	54,941	111,115	22,223	44,446,000
Tennessee	6,897,974	1,102,880	5,795,049	13,457,960	136,370	139,349	275,719	55,144	110,288,000
Kentucky	7,644,217	881,940	6,792,277	11,519,059	113,009	112,474	225,483	44,097	88,194,000
Missouri	6,246,871	459,740	5,787,131	13,737,939	57,360	57,571	114,931	22,987	45,974,000

Hosted by Google

One thing is essential to the success of this plan: The management of the whole question must be left to the local authorities; or, if undertaken by the government, it should only be with caution and forbearance. There must be no fanatical intermeddling. Instances of individual hardship, which, unfortunately, occur under the best governments, must not be exaggerated into examples of general rule; neither must they be accepted as good ground of reason for Federal interference. Statesmen ought to remember that in our imperfect human institutions we have sometimes only a choice between evils. Painful as it may be to the heart, it is occasionally true wisdom and mercy to shut the ear to the solitary scream of distress when we see that to relieve it we must plunge unnumbered innocent people into even deeper woe. As the Indians in the Northern States and the Chinese in California, so the negroes in the Southern States must be left to the management of the people most immediately concerned. All that the Federal government should ask is their freedom and their trial by jury upon every accusation. The local governments should constitute all the negroes as infant wards of chancery. They should be made incapable of contracting any debt, except for the necessaries of life, unless with the consent of court, to be obtained in each instance. They should be incapable of selling or renting their land without decree of court. In fine, they should be made, as I have said, infant wards of chancery. The State attorneys in the counties should be made *ex officio* of counsel, without fee to them, in order to protect them effectually against fraud and oppression. The State attorneys should give them legal advice when necessary, and should prosecute or defend their actions. No process of law should be taken for served on a negro until service should likewise be made on the State attorney for the county. Whenever a negro is the object of a criminal prosecution, the State attorney for the county should appoint some lawyer of standing at the bar to conduct the

Hosted by Google

defence, and this defence should be gratuitous. I know too well the generosity of my brethren of the Southern bar to question the alacrity and zeal with which this defence will be conducted. Weakness or poverty never stretched out hands to them in vain. I suggest that the appointment should be left in the hands of the State attorneys rather than in the judges'; (as precedent would require,) in order to give the defence more time for preparation. If the negro fails to pay his taxes or the periodical instalments of his debt to the Real Estate Loans Company, or to other creditors admitted by the court of chancery, he and all the members of his family, or so many of them as need be, may, in the discretion of the court, be hired out to the highest bidder until such liabilities shall be discharged. No such decree, however, shall be made until the negro shall have been heard by counsel, which counsel shall be appointed in the same manner as in criminal prosecutions, whenever taxes or the periodical instalments due the Real Estate Loans Company are sought to be recovered; otherwise the State attorney shall be of counsel to the negro.

Need I say that under all these circumstances it would be extremely unadvisable to invest the negro with the right of suffrage? We must choose between securing the negro social independence and giving him a shadowy political right. I call his right of voting shadowy, because what are the negro votes in the South compared with those of the white population?

I am far from advancing these as final measures. I am too sensible of the perpetual fluctuations of all earthly things to raise barriers, or to form channels, and look upon them as things eternal. I believe, however, that at the present time to ask more, or to give less than I here suggest, would be to breed mischief. I am only contending for the policy of leaving the election of the measures to be adopted to the local authorities. The negro has no better, no kinder friends than his old white neighbors. Long before he could ap-

Hosted by Google

proach the polls in the North he voted in North Carolina. Mr. T. W. Conway, the superintendent of labor in Louisiana, has recorded in his last annual report that the negro fares every way better at the hands of a Southern than at the hands of a Northern master.

No unprejudiced man can conceal from himself that the negro may not for years—probably never may—be treated in every respect as the equal of the white man. The Chinese cannot rise to the level of the white man in Australia or in California. It was only yesterday it was a capital offence in New York city to possess a black skin. Old prejudices and old relations cannot be effaced in a single day. It may be well for all of us to bear in mind Demosthenes' wise remark: "There are things which may be the objects of prayer—never of law."

Do not wrest the power of Congress to jurisdiction over the qualifications of voters in the several States. Our incomparable Fathers, after solemn debate, determined that this subject should be left to the States themselves. They so provided in the Constitution.

If in these lawless times this consideration prove no valid objection, it would perhaps be well for those who urge the extension of the right of suffrage to the negro to remember the ink is not yet dry on the statutes, which in Connecticut, Ohio, Illinois and Indiana, invested this right in the negro. Is it statesmanship to force an unpalatable measure upon a people of eight millions, when it was only yesterday, and amid the unreasoning excitement of party passions, the North itself could bring its consent to such measures? Be patient. No man who knows the history of political parties can doubt that a little sooner or a little later agitation will be raised in the States themselves to extend the suffrage to the negro. Such is the recklessness of party spirit everywhere, that it will make any bid to command even temporary success.

The cry may be raised—it has been raised—that the Vir-

Hosted by Google

ginia doctrine of States' Rights, established by Jefferson and by Madison, are a danger to the Union. Had our incomparable Fathers laid the foundations of States' Rights less deep or less firmly, the war just ended would have had a very different issue. The Federal States could never have assembled such hosts, nor have found creditors for such amount of debt had not the Federal Government been supported by twenty other governments possessing immense local power, local treasuries in which the vicinage placed implicit confidence, animated by lofty local pride, which embraced every particular of the public service, and stimulated each State to ardent rivalry of patriotic energy with every other in support of the common cause.

The strength of the States will, under every conceivable circumstance, give strength to the Central Government. At the same time the strength of the States will make armed opposition to the Central Government weak. It divides the opposing foe. It creates in their midst more than one nucleus of dissatisfaction. It paralyzes that unity of action and policy which is indispensable to successful armed resistance. It constrains the Executive to measures and concessions, which gratify local whims, or interests, or jealousies, and militate against the public policy. These truths were self-evident in the South from the beginning of the war. Herein lay our fatal weakness.

The lessons taught by the war are not that States' Rights are pernicious—far otherwise!—but that the Union can never be dissolved except by the majority or by a more formidable minority than the Southern States constituted; and that the majority of the people of the United States hold the Union as something even dearer than those principles of self-government on which our immortal Fathers built their political fabric.

Let it be remembered, too, that it is scarcely possible any question may arise which can so unite as many as thirteen States. No question may hereafter arise which shall threaten

Hosted by Google

the domestic tranquility, lives and fortunes as the Slavery Question.

While these Real Estate Loans Companies are useful to the borrower, he obtains loans without the intervention of a third party. He avoids the unexpected or harsh foreclosure of the mortgage. He obtains the advantage of liquidating his debt by payment of small sums of money. He is taught the importance of order, and the value of even the most insignificant sums of money. Lastly, the value of his real estate is increased, because all real estate is rendered more marketable.

I say while these Real Estate Loans Companies are useful to the borrower, they are too singularly advantageous to the lender. They shield him from the odium (not always unattended with peril) which so stupidly attaches to the money-lender, especially when he forecloses mortgages in an apparently harsh manner. They afford him a safe investment. They guarantee him payment of interests as regularly as those paid by a well-ordered public treasury. They relieve him of a constant supervision of the property pledged. They avert from him the annoyances of complicated legal arrangements. They save him all fees and commissions. The experience of other countries during a century, filled with vicissitudes, avouches that they will most assuredly do all of these things.

I come now to an establishment of credit, which I would have presented, in the first place, had I not laid stress upon opening the chapter with an establishment, whose merits were confirmed by time and by experience in more than one nation.

The institution next to be considered has, I believe, its parallel no where. Nevertheless, I am persuaded it may not be looked upon with those cold eyes which commonly greet experiments and new inventions. It is built on no novel theory. It rests upon the same foundation on which Real Estate Loans Companies are raised. It is reared on as firm

Hosted by Google

ground as that on which they stand. It is but an extension of their principle.

It is its application to Public Debts.

The reader is now familiar with the principles of these establishments of credit: namely, they lend money on approved security, and hold the borrower quit of the repayment of the capital upon payment of interest. We have seen that the application of this principle saves the debtor at least six per cent. If applied to the Public Debt, it will be found to save the Treasury a still larger amount of money. It relieves the Treasury of the staff of clerks required to prepare every two years hundreds of thousands of bonds, of the cost of the paper and of the engraving and printing of these bonds, of the commissions paid to agents for their sales, of advertisements in the newspapers, of the staff of clerks required to manage the Sinking Fund, of brokers' commissions on purchases made for the Sinking Fund, etc. The Treasury will be able to reckon on the immediate supply of its wants, instead of waiting six or eight or more months, as is now necessary, until the bonds have been taken up by individuals.

No man who observes the tendency of trade can close his eyes to the fact that capitalists daily require a larger return on their investments. They have lying all around them a choice of enterprises which yield seven, eight and ten per cent. annually, and lack no guarantee of safety. They consequently disdain public securities, which yield only six per cent. Did not the Federal government during the war pay as much as twelve and fifteen and even more per cent. interest on the money it procured? This phenomenon is not visible in this country alone. It is seen even in England, where there is a greater accumulation of capital than in any other country of the world. A competent authority recently said:

"One distinctive feature noticeable in the late altered appearance of the money market is the gradual, and it would

Hosted by Google

seem permanent, fall in the value of consols. The drooping condition of prices is consequently forcing the fact upon attention, whether the rate of three per cent. in the face of other more profitable investments will keep consols and similar English securities in the position they have hitherto maintained. A return of five or six per cent. is now so commonly looked for, and the recent dividends of the banks and other financial companies have been so satisfactory, that the low rates for government securities are any thing but encouraging."—*Bankers' Magazine* (*London*) *September*, 1864.

Italy is obliged to pay above ten per cent.; Turkey, Egypt, Austria and nearly all the countries of South America pay more than twelve; and Mexico and Spain pay fifteen per cent. for the money they borrow.

Public Loans Companies will correct this tendency of trade. While they will enable the Treasury to borrow *at less than six per cent.*, and thereby save millions of dollars annually, they will enable capitalists to reap twelve, fifteen and twenty per cent. on their investments.* Public credit will annually be improved. The sum of money at the command of the Treasury will annually increase in amount.

These establishments of credit will have the happiest influence at the present moment. They will relieve the market of paper without lessening the supply of money at the command of trade. The banks, instantly relieved from the burden of the bonds which they carried during the war, will afford to trade the assistance of their whole capital. Commerce and industry will at once resume their old activity and scatter their manifold blessings on every side of us. Public Loans Companies would free us from the enormous amount of money we export to satisfy the interest due on bonds held by foreign capitalists, and which sensi-

* The manner in which this revenue is obtained will appear when I come to treat of the organization of these Companies.

Hosted by Google

bly increases the balance of trade against us and concurrently the rates of foreign exchange; because this apparent export is really nothing but a payment for imported capital.

The Public Loans Companies would take our public loans at these rates:

6 per cent. will be charged to pay interest on the capital lent;
1 per cent. will be charged to defray the Company's expenses;
1 per cent. will be charged to form the sinking fund;

Total, 8 per cent. per annum.

The Public Loans Companies will, in consideration of the payment of this sum annually for forty-seven years, release their creditors from payment of the capital loaned. If longer time for payment be asked, the charge will be less; if shorter time be required, the charge will be greater.

Apply this to the 7.30 loan. I am persuaded that I do not exaggerate when I say it costs the Treasury a considerable sum of money above 8 per cent. It was sold below par because it was sold for paper money when gold was many per cent. higher than paper; a considerable commission was paid the agents who sold it; a good deal of money was spent in advertisements, clerk hire, paper, engraving and printing. If we had Public Loans Companies, we should pay *not only less than the charges now annually paid on this loan, but by payment of this smaller sum be exonerated altogether from payment of the capital.* As it is, we not only pay heavier annual charges than Public Loans Companies would make, *but we must pay the whole capital besides.*

The Public Loans Companies offer another advantage. Suppose we had a debt of $3,000,000,000 at six per cent. interest. It will cost the treasury, if it be paid off at the end say of forty-seven years, $180,000,000 annually, which, multiplied by forty-seven, gives $8,460,000,000 as the amount of interest money which we shall pay during this period of time: and at the expiration of this time we must further pay the capital borrowed, say $3,000,000,000, mak-

Hosted by Google

ing in all $11,460,000,000. If we had Public Loans Companies we should pay $240,000,000 of interest annually, say $11,280,000,000, and not a cent more. This would be a clear gain of $180,000,000 to the nation—nearly $4,000,000 annually—that is, an economy of six per cent. on the whole loan. Add to this clerk hire, and the expenses of paper, engraving and printing the many thousands of bonds required under the present system, and the commissions to agents during forty-seven years—all of which charges Public Loans Companies will save the Treasury—and you have a still larger per centum economized.

Besides, the Treasury has the further advantage of annually consolidating its credit. Under the present system the interests annually paid leave the debt just where it was. Under the proposed system the national credit would be strengthened not only by the development of the country's resources, but by the progressive diminution of the debt.

The nation at large would likewise derive sensible profit from this continual monthly return of the capital and interest. The money-market would constantly be buoyed up by the ebbless flood-tide, and whenever the exigencies of State rendered a new appeal to public credit desirable, the demand would instantly be answered. Thus establishments of credit would, in periods of peace, be founded and annually strengthened, which, during war, would enable the public Treasury to meet all the requirements of a state of hostilities without disturbing the currency or the banking operations of the country. They would substitute for the stupid scheme of national banks, broad, sound, powerful establishments, which no commercial crisis could paralyze, no vicissitudes of trade impair.

Everybody knows how embarrassed States and counties, small towns, railway and other joint-stock companies frequently are when they would procure money. They are, for the most part, known only in their immediate neighborhood, which is neither large nor wealthy. We all have an

Hosted by Google

instinctive aversion from lending our money to distant creditors; we are not familiar with the value of the security they offer. Public interests frequently suffer from this state of things. We have no great bankers, and we lack those wealthy establishments of credit which exist in older countries where generation after generation have accumulated capital. This want of capital is the plague of a new country.

All of these embarrassments will be removed by the establishment of Public Loans Companies. They will lend money to all of these applicants. Their innumerable species of securities will disappear from the market—unity is an element of strength on the Stock Exchange. Stock or bonds of the Public Loans Companies will represent all of them. Each public security will thus, by the principle on which insurance companies are founded, give strength to the other, and public confidence in the Public Loans Companies will be increased by the variety of their debtors, and by their constantly augmenting guarantee funds.

In this way we shall enjoy the double blessing of important savings to the public, and of sensible increase of wealth in all classes of the community. If this be not the true policy of governments, I must confess I scarcely know wherein public policy lies. As citizens become more wealthy, so the State grows stronger; contentment becomes more general, crimes diminish, public tranquility and security increase, and the area and yield of taxation augment daily in importance.

I believe that if I except real estate, no great interest of nations may be found which has commanded as little favor with capitalists as the Maritime interest.

This is inexplicable. Shipping is with Agriculture the most important interest in a community. The modern system of insurance has disarmed all the elements. Bottomry and respondentia bonds have, from the earliest days of commercial maritime adventure, been of custom, and have passed in the world of trade for most trust-worthy securities.

Hosted by Google

When one recollects the strenuous efforts made to encourage this branch of trade, the profits made, and the immense capital required to engage in foreign voyages, it does seem most extraordinary that bottomry and respondentia bonds should not have furnished capitalists or statesmen with a hint of the true way of fostering this important public interest.

Marine Loans Companies should be established on the principles of the Real Estate Loans Companies. These companies should lend money on vessels. As vessels are by their nature perishable, and deteriorate annually in value, money may not be lent upon them for so long a period of time, or so cheaply as upon real estate and public or joint-stock securities. No loan on maritime bottoms should exceed fifteen years and six months, and the rate of interest charged should probably not be less than twelve per cent. per annum, say

6 per cent. for interest on capital or money borrowed by the Company to lend to the ship-owner;
1 per cent. for the Company's expenses;
5 per cent. for the Sinking Fund;

Total, 12 per cent.

Upon payment of this annual rate of interest for fifteen years and six months, the borrower would be exonerated from payment of the capital borrowed.

As only one-half of the value of the land mortgaged would be advanced by the Real Estate Loans Companies, so only one-half of the value of vessels would be advanced by the Marine Loans Companies. As the mortgagor of real estate would be required to transfer policies of fire insurance, covering all the property pledged, so the mortgagor of vessels must transfer his policies of marine insurance to the Marine Loans Company. If the vessel be engaged in trade, other than coasting trade, the mortgagor shall obtain from insurance offices guarantee of payment of bottomry or

Hosted by Google

respondentia bonds. It is the interest of insurance offices to undertake payment of these obligations for a proper premium.

It will at a glance be seen that no security offered could be more satisfactory than that which is above-mentioned. Here, as in Real Estate Loans Companies, and indeed in all the establishments of credit mentioned in this chapter, the borrower gives for guarantees not only the property pledged, but all his property and his good name. In both instances the value of only one-half of the property pledged is borrowed. If vessels are exposed to the perils of the sea, marine insurance companies protect the lender from loss on this score. If they annually deteriorate in value, the amount due on them annually decreases; and it is fair to presume that the owner who pledged them annually betters his fortune, so that this risk is next to nothing. Let me illustrate this last assertion by an example: Richard Roe owns a ship which costs him $60,000. He borrows $30,000 on it. He becomes a bankrupt at the end of five years, and does not distribute among his creditors one cent on the dollar. During these five years the Marine Loans Company has been receiving annually five per cent. on the whole loan, and at the expiration of this time has received *above* twenty-five per cent. of the whole loan, (because this money has been invested in new loans as fast as it has been received). Therefore if the ship which cost $60,000 sells for $22,000, the Company will lose nothing. At the present time such a depreciation of vessels as I have admitted, for argument's sake, is unprecedented. It will be impossible when Marine Loans Companies are established. As similar companies enhance the value of real estate by making it more marketable, so these companies will enhance the value of vessels by opening a larger market for them, by enabling smaller capitalists to become ship-owners, and by enabling larger capitalists to extend their transactions without fear of a sudden contraction of the money-market. So the very estab-

Hosted by Google

lishment of these companies will remove the only objection to their foundation.

Twelve per cent. per annum may seem an exorbitant rate of interest. But I believe it is not an unusual rate in the money-market when the security offered consists of this description of property. Besides, the twelve per cent. interest charged by the Marine Loans is really less than a borrower pays when he borrows money under ordinary conditions at six per cent.

Suppose John Doe borrows $30,000 for fifteen years and six months at twelve per cent. He pays $55,800. Let him borrow $30,000 at six per cent. He pays $27,900 interest, and returns the capital borrowed, say $30,000, which makes in all $57,900 he pays to the lender. It thus appears that the system of the Marine Loans Company enables the borrower to save on this one transaction $2,100, which is no less than seven per cent. of the capital borrowed. John Doe finds another advantage in borrowing from the Marine Loans Company. If he borrows money from a banker at six per cent., he will pay $900 every six months, or $1,800. On the other hand, on the money borrowed from the Marine Loans Company, he pays $300 a month. Everybody knows that it is much easier to pay a smaller sum monthly, than to procure a large amount of money once or twice a year.

I would exhibit some other advantages of this establishment of credit. Suppose Richard Roe has $100,000. He is a ship-owner in good credit. He builds an Eastindiaman, which costs him $100,000. He pays cash for it. He mortgages it to the Marine Loans Company for $50,000. He returns to the ship-builder, and orders a second Eastindiaman, to cost $100,000. He makes these terms: $50,000 are to be paid in cash, and $50,000 thirty days after the delivery of the vessel. He mortgages this second vessel for $50,000 to the Marine Loans Company, and pays his debt to the builder. He pays the Marine Loans Company $12,000 annually in monthly instalments of $1,000 each, while he

Hosted by Google

receives interest on $200,000 at the rate of twelve or fifteen or more per cent. He has, besides, at the expiration of fifteen years and six months, two ships worth even then some twelve or fifteen thousand dollars apiece. He would also have saved the per centum which ship-owners annually lay aside to compensate the deterioration of their property.

Again—a steam-ship company is formed to establish a line of these vessels, say between New York and Liverpool. The capital is $5,000,000, of which $1,000,000 is paid up, and the remaining $4,000,000 is not called, but remains with the proprietors of shares in the manner hereinafter mentioned. These $4,000,000 are borrowed from the Public Loans Company, which will lend to joint-stock companies the full amount of their subscribed capital. The steam-ship company has ten vessels worth $500,000 each. It wishes five more. These it obtains by mortgaging their fleet of ten vessels to the Marine Loans Company. All this is done with a paid-up capital of only $1,000,000, consequently every cent earned by the steam-ships, after the interest to the Public Loans Company and to the Marine Loans Company shall have been paid, will go to the proprietors of shares. It is probable they will earn some sixteen or twenty per cent. a year.

What immense advantages, too, are given to men of energy and enterprise by such a company! It enables them to obtain capital, which they could not possibly procure with our present organization of credit. It will give a powerful stimulus to our whole maritime, lake aud fluvial navigation.

It may be objected that when a great steam-ship company miscarries, so many bonds (the guarantee of the uncalled capital) will be thrown upon market as to produce a heavy fall in prices. Thereby the bonds will be sacrificed, and the proprietors of share will be ruined.

To weigh this objection, let us ascertain the course of events, should this deplorable contingency occur. What proceedings would the companies of credit take? The fleet

Hosted by Google

of fifteen vessels would be sold. They fetch, say, $250,000 each. This will be $3,750,000 to be carried to assets. Be it remembered, that every month since the loans were contracted, they have constantly been diminished. Therefore, when I put down the debt due the Marine Loans Company at $2,500,000, I greatly exaggerate the actual debt. It will have tables, which have been prepared, to meet an event of this kind, or the desire of a ship-owner to cancel all liabilities by anticipation. It will refer to these tables to discover the amount actually due. It will pay itself out of the proceeds of the sale of the fleet.

To avoid perplexing matters, say its debt was $2,500,000, there would remain $1,200,000, after the sale of the steamships, to pay off the $4,000,000 due the Public Loans Company. Remember, that the Sinking Fund has every month been lessening this debt also.

The Public Loans Company will require $2,800,000 more to satisfy its claim in full. If the proprietors of shares have managed the company judiciously, there will be a Reserve Fund (which ought to be established in every joint stock company to provide for contingencies) sufficient to discharge this balance of debt. If there is no such fund, and if the proprietors of shares are unable to subscribe this amount of money among themselves to save their bonds, two courses remain to the Public Loans Company.

These bonds may be sold. As these bonds are issued by at least four different companies,* there will be only $700,000 worth of bonds of each company. Surely such an amount of money could not glut the market. If there was danger of this glut, another course would be pursued. The Public Loans Company would make the trustee of the bankruptcy mortgage these bonds to the Public Securities Company,

*See a little further on, when I treat of the organization of these establishments of credit. I shall in another chapter propose the extension of this organization to all joint stock companies.

Hosted by Google

(for they would be mortgaged to the former Company*), and pay the debt due it. The trustee would leave the bonds in mortgage, (the loss would be only one-half of one per cent. per annum, as the interest on the bonds would compensate the interest paid the Public Securities Company), and wait until the state of the market warranted their sale. I put things at the worst, that the reader may see the working of these admirable establishments of credit, even under the most unfavorable circumstances.

Before I turn to another subject, I would call attention to the inadequate protection afforded by existing legislation to mortgagees of vessels. The provision of the statute which requires the mortgage to be recorded in the customs-house of the port to which the vessel belongs is insufficient. The mortgage should be endorsed on the vessel's papers, and the mortgages of all vessels should be recorded in some office at Washington. I shall revert to this subject.

I come now to establishments of credit founded on the ordinary principles of such Companies. They lend money at a little more than six per cent. interest, and require the return of the capital borrowed.

Foremost among them are Warrant Loans Companies. They would lend money on the warrants of goods, wares and merchandise stored in public warehouses. Our tobacco notes offer a familiar example of warrants. THE COMMONWEALTH, however, issues notes, and owns warehouses, only for tobacco. I would extend this system which we have found to work so well. Wheat, flour, corn, meal, bacon, wool, lard, oats, cotton, potatoes, barley, cheese, hops, flax, sugar, manufactured goods of cotton, flax, wool and silk, iron, copper, lead, in raw and manufactured states—in fine, all the articles of commerce should be accepted in THE COMMONWEALTH'S warehouses, and their value be accurately

*I shall explain in the succeeding chapter where these securities shall be lodged.

Hosted by Google

appraised by sworn officers. Warrants negotiable and transferable *in the offices of the warehouses* (that is, in the office of the warehouse which issued the warrant) should thereupon be issued.

The Warrants Loans Company would advance money on these warrants when transferred to them and accompanied with a policy of fire insurance. This advance should be not more than sixty per cent. of the appraised value of the warehoused article. This money should be lent for any period of time not exceeding a twelvemonth. It would be lent at the rate of six per cent. per annum, and one-half of one per cent. commission.

To appreciate the importance of the advantages which Warrants Loans Companies would afford industry and trade, we have but to glance at our millers and tobacco manufacturers. I would instance only these two examples. Our millers and tobacco manufacturers are obliged by the course of trade to lay in during a comparatively brief season that supply of wheat, or corn, or tobacco, which is to keep their machinery in activity all the year round. They are obliged at times to strain to the utmost limit their credit at the banks; to press their correspondents for advances (whereby they in a measure place themselves in the latter's power), and are not unfrequently compelled to force their merchandise upon an unfavorable market.

All is uncertainty to them. Bills payable for heavy amounts of money may be falling due. The rumblings of a distant, but fast approaching, financial crisis may be audible. The money-market is uneasy. The courts of bank directors are growing timid. This embarrasses our millers and tobacco manufacturers, or drives them to suspension of payments, or obliges them to restrict their purchases and their manufactures. The prices of our agricultural productions fall—there are no buyers in the market.

If we had a Warrant Loans Company, nothing of the sort could be apprehended. Our millers and tobacco man-

Hosted by Google

facturers would invariably pay cash for the raw material. The farmers would receive their money at once. Our millers and tobacco merchants would leave or carry their wheat, or corn, or tobacco to the warehouses, receive warrants for it, and obtain money on these warrants. The wheat, or corn, or tobacco would be withdrawn from the warehouse as the service of the mill or factory might require.

As soon as the raw material has undergone the process of manufacture, the owner would carry it back to the warehouse, get new warrants, and obtain another and greater advance upon it—for it has become more valuable by the addition of machinery and skilled labor. The miller or tobacco manufacturer would never be pressed for money. He could await the turn of the market. He would feel no uncertainty.

Thus the private capital of the miller or tobacco merchant would be enabled to fill the part which it ought to play—the part of *balance*. In no commercial country ought individual capital be required to bear the whole operation of trade. It ought in certain proportion to be carefully invested and held in reserve, in order to meet *the balance of loss*, should the adventure or adventures of trade miscarry. Credit should bear the burden of trade. And in this country, so new and so poor, where we are without those accumulations of capital which generations of men have amassed in Europe, it is even more necessary than elsewhere that individual capital should be freed so as to play its true part in the commercial world.

These Warrants Loans Companies are eminently democratic, as indeed are all the establishments of credit suggested in this chapter; because they afford every possible assistance compatible with the canons of political economy to the small capitalist, without driving him to the usurer or to disreputable and hazardous commercial expedients.

I would not exercise the reader's patience by many other

Hosted by Google

examples, and yet I would bring before him one more instance: Just see how impossible it is, under the present organization of credit, for a man of ordinary means to enter the tobacco trade. It is well known that tobacco is coming to market all the year round. True, in October, November, December, January February and March, no considerable portion of the crop comes to market. Nevertheless, even during these months many thousands of dollars' worth of tobacco do come to the warehouses.

Under existing circumstances the small capitalist cannot enter the market, because the banks never discount paper running longer than ninety days. If he enters the tobacco market, he must resort to the hazardous expedient—hazardous because it depends entirely upon the good pleasure of the bank directors—of accommodation paper. He renews this paper every ninety days, if the digestion of the bank directors continues good. He of course pays interest upon it. He is under the additional obligation of paying some wealthy capitalist to endorse for him, or of exchanging endorsements with some commercial friend in the same position as himself. Thus the risks of trade are doubled, for he stakes all he has on his friend's commercial adventures.

As the first shipments of tobacco to Europe are not made before July or August, he must, under the most favorable circumstances, renew his note at least twice. If he would enter the market at the beginning of the season, he must renew his note above three times. As accommodation notes cannot be discounted from week to week, he is obliged to lay in a supply of money. He thus pays (or at least loses) twelve per cent. per annum interest on his money, because he not only pays the bank interest on the money borrowed, but his money lies idle in bank or in the warehouse awaiting a favorable market. If he cannot renew his notes, he is obliged to ship his tobacco to New

Hosted by Google

York, to draw on his consignee for an advance, sell the draft, and take up his note.

Establish a Warrants Loans Company, and we entirely change this state of things. The small capitalist will begin to make his purchases on the first of October. Whenever a hogshead of tobacco suited with his business appears in market he will buy it. He will get the note, carry it to the Warrants Loans Company, and obtain an advance upon it for such time as he may desire. He will be at liberty at any time to pay his note upon payment of the interest accrued. When he thinks the time for shipment come, he will pay the money borrowed, receive his warrant, and ship his tobacco. There will be no risk whatsoever. Trade itself will be rendered less hazardous. The man of small capital will be enabled to embark a considerable amount of money in legitimate business. The man of large capital will be enabled to increase his adventures without periodically exposing his interests to the caprices of trade or of a court of bank directors. Trade will be improved, and the general prosperity of THE COMMONWEALTH advanced.

This establishment will enable retail tradesmen to carry on their business with less capital. Instead of going to the wholesale dealer twice a year as they do now, they will buy from him only when their stock of any particular article is exhausted. The wholesale dealer will go to the bonded warehouse, repay the money borrowed, and withdraw the required article.

When I have mentioned Public Securities Loans Companies, I shall have ended the list of new establishments of credit which I could desire to see founded among us. They would lend money on THE COMMONWEALTH'S, the United States' and States' bonds; on Railways' Real Estate Loans Companies', Public Loans Companies', Maritime Loans Companies', Warrants Loans Companies', and other joint stock companies' bonds or shares, in the same manner the Warrants Loans Companies would lend money on

Hosted by Google

warrants issued by the public warehouses. The former would, however, lend a larger per cent. of the value of shares and other like securities pledged to them than the latter ought to lend on perishable objects. Public Securities Loans Companies might, perhaps, safely lend ninety per cent. of the market value of the first description of securities I have above mentioned, and eighty per cent. of the current market quotations of other bonds, and seventy per cent. of the market value of the shares of joint stock companies. These rates would of course be determined by the Public Securities Loans Companies. They would vary with the credit of the Company which issued the bonds. There would of course be some joint-stock companies whose bonds and shares would not be accepted as securities on any terms. Prudence would lead the Public Securities Loans Companies to lend the full market value on no securities whatsoever.

The object of the Public Securities Loans Companies is to furnish the trading community with facilities which banks cannot grant without peril, and which at epochs of crisis (when these facilities are most needed) no bank will grant, because their struggle then is to curtail the issue of their notes as much as may be. The concurrent condition of a bank's solvency is its ability to call in its loans within a limited period of time.

These establishments of credit are under no such condition. They have no paper money afloat in the market. Their bills payable (which are their bonds) are due at certain epochs, for which they have ample time to make preparation. No such thing as a "run" on them is possible. They are most active at periods of crisis, because the security of their transactions increases in proportion to the violence of the crisis. Lending money on securities according to their current market value, the greater will be the value of the pledge in proportion to the loan granted upon it, because in times of commercial crisis almost all bonds

Hosted by Google

and shares decline. At the same time these Public Securities Loans Companies will check this downward tendency by preventing forced sales.

They will greatly strengthen our trade in other ways. They will enable our merchants and others to keep their whole capital active. They will invest nearly their whole capital, if, indeed, they do not invest all of it in Public Securities. Banks and Warrants Loans Companies will provide them with the money required to carry on their business. They will trade altogether on borrowed capital, which the profits of trade will pay for. When losses are sustained, or a commercial crisis occurs, they will pledge a portion of their Public Securities, and obtain the required sum of money. The certainty of profits, large profits—at least twelve per cent. a year—by cautious trading, will beget caution. The large profits they make will make them wealthier; that is, stronger. I would illustrate this by an example:

John Doe has $100,000. It is invested in bonds of the Virginian Agricultural Real Estate Loans Company. During December, January, February and March, he buys cotton to ship to Liverpool. The money he requires for these adventures he borrows from the Alabamian Warrants Loans Company and from the Virginian banks. In April, May, June, July and August, he buys tobacco to ship to Liverpool. The money he requires for these adventures he borrows from the Virginian Warrants Loans Company and from our banks. It will be observed he saves a great many days' interest by borrowing the money only as he requires it. He clears twelve per cent. profit on his adventures. He probably does not pay the Warrants Loans Companies and the banks five per cent. interest on the whole amount of money adventured. He receives six per cent. on his money invested in bonds. His capital will, therefore, yield him at least thirteen per cent. revenue.

If John Doe, with our present organization of credit, were to place $100,000, or even half his capital in Virginian six

Hosted by Google

per cent. stock, he would run risk of most serious embarrassment. Suppose we are in a commercial crisis. The money-market is tight. He has already discounted as much paper as the banks will take, and they are locking the door of their vault. His Virginian stock is as useless to him as if it were locked up in real estate. There is nobody in Richmond who can take $50,000 worth of any species of property at five minutes' notice.

The banks would refuse to lend on them, as they should do. This is not the function of banks. The Bank of England never lends money on Consols, except at the quarterly settlements, when the Transfer-Books are closed. The Bank of France (which I believe is the only bank that does lend money on shares) finds itself unable to lend above $6,000,000 upon Government stock, and $10,000,000 upon Railway bonds at any one time, and is greatly embarrassed to lend even these insignificant amounts of money, although its capital is $36,500,000. I say insignificant amounts of money, because there are Government stock in the French market to the amount of $1,800,000,000, and Railway bonds and shares to the amount of $1,400,000,000. Those loans are as much relief to the commereial world as if the Bank of Virginia were to lend half a dollar on Virginia bonds. This inability of the Bank of France to advance money on shares is alleged by the most competent financiers to be the true cause of the stagnation in which the French markets have languished since the issue of the securities by which money was procured to pursue French public policy and to build the French railways.

The object for which banks are established is to grant short credits. Long credits are no more within the scope of their operations than glass-making is within the range of the potters' occupations. There ought to be a division of labor in the world of finance, just as there is in the world of industry. It is even more necessary in the former than in the latter. The Public Securities Loans Companies, by

Hosted by Google

introducing this division of labor in our world of finance, would offer us protection against commercial crises. I have shown how they were in no danger of a "run," and how they steadied the market of all kinds of Public Securities. They would, moreover, supply trade with an immense amount of capital, without resorting to the issue of paper-money, and consequently lessen all tendency to an inflation of the currency. Again, they would enable banks to invest their idle funds in Public Securities (although with our present organization of credit it would be madness in them to do so) by giving them assurance of facility of borrowing on them whenever a period of pressure came.

The Public Securities Loans Companies would advance money on the above-mentioned descriptions of stocks, shares and bonds, the latter being pledged to them. I have not thought it worth while to say that the promissory, negotiable and transferable note of the borrower would always be given whenever a loan was made from any of the establishments of credit mentioned in this chapter. The money lent by the Public Securities Loans Companies should be lent for any period of time not exceeding a twelvemonth. It would be lent at the rate of six per cent. per annum and one-half of one per cent. commission.

The advantages to the nation of these several establishments of credit cannot easily be overrated. If war should (Heaven forbid!) exist, the Treasury would supply its wants from month to month by contracting loans with the Public Loans Companies. There would be no issue of paper money. The Public Loans Companies would issue bonds. These bonds would find general favor, because trade would be contracted. Commercial men would the more readily invest their floating capital in them, because the Public Securities Loans Companies would enable them to use their capital whenever occasion might arise. The same reason would persuade banks to place their idle funds in those bonds. All, or a greater part of the interest money paid

Hosted by Google

by the nation, would be used in providing new loans. These transactions would be going on at the same time in every State, and thus there would be placed at the command of the Treasury a constant and almost inexhaustible supply of money. The power of the country would be increased a hundred-fold. One of the most eminent financiers of modern times said: "Cannon and artillery are not enough to give power to a nation. It does require cannon, but it requires credit, too. Credit is a species of artillery." This is the artillery I invite the country to forge.

I have postponed consideration of the organization of these establishments of credit in order to present the general principles of their arrangement without repetition and without obscurity—so far forth at least as I may be able to avoid them.

It would be good policy to charter in each State only one Company of each of the establishments of credit mentioned in this chapter. It would be injudicious to open all the doors to speculators upon these subjects. The Real Estate Loans Companies may involve with its welfare the fortune of every family among us. The Public Loans and the Public Securities Companies will prove the foundations which sustain our public credit. It is consequently of public interest that no discredit be thrown on these establishments. Discredit is sure to be thrown on them were we in every State to found rival Companies. In the eagerness of competition for business, they would be tempted to sacrifice the safe principles on which these establishments are founded. Ruin would encompass us on every side. We know the heartless greed of speculators.

Each Company should be chartered with a capital of $100,000,000, and with powers to issue bonds to ten times the amount of its capital and reserve fund. Whenever the reserve fund is equal in amount to the capital and bonds issued, the surplus may be distributed annually among the proprietors of shares—otherwise the reserve fund should

Hosted by Google

not be touched. The losses should fall on the annual receipts of the Company. I need scarcely say that none of these Companies will at the outset or for many years to come require such a capital. Nevertheless, I think it judicious to give them the amplest powers at their establishment, that they grow with the exigencies of the country without making repeated applications to the State Legislatures for modifications of their charter.

These Companies should be built on a democratic basis.

It is matter of astonishment that in a country like ours no pains are taken to enlist the co-operation of the laboring classes in our great public enterprises. It is lamentable that no poor man can share their profits. One of the great dangers of democracy is a stupid envy of the wealthy, because this sentiment strikes at the foundation of the public prosperity. The existence of this sentiment is visible even in this new country. The attempts made in some of the Northern States to pass laws restricting profits on railways, insurance and other joint-stock, have no other origin. Let us eradicate this sentiment from among us by enlisting all classes of our fellow-citizens in profitable investments, and so promote a conservative spirit and a love of order and of law throughout the whole nation.

This extension of the prerogatives of wealth to all classes in the community is one secret of the quiet which has existed in France during the last fourteen years—the first time since 1770 so long a period of tranquillity has been witnessed in that country. The humblest classes in France have been made proprietors of public stock. The latter has been divided into amounts as low as eleven dollars, paid in instalments spread over many months, to meet poverty's limited resources.

In Europe this principle is introduced in practice more and more every day, with the most beneficial results. Above 2,000 shares of the Bank of France are held by its servants, from the humblest "runner" to the governor

Hosted by Google

himself. Messrs. John Crossley & Sons, the eminent carpet manufacturers of Halifax and Kidderminster—who own the largest carpet mills in the world—have transformed their firm into a joint-stock company, with a capital of $8,250,000, in shares of $75 each. They hold $6,600,000 of these shares, and in allotting the remaining shares preference was given to the 4,400 managers and operatives in their employment. I might instance many other examples.

I would see this eminently democratic principle carried out everywhere here. It would not only multiply in a most wonderful manner our resources of capital, but it would foster a spirit of energy and enterprize among our fellow-citizens which could not fail to produce the happiest results.

Therefore all shares in these establishments of credit should be of the value of twenty-five dollars. Of this amount five dollars should be paid in money, and the remaining twenty dollars should consist of four bonds of five dollars' value each, issued by any one of the above-mentioned establishments of credit, exclusive of the company in which the share or shares are taken, and no two of them shall be of any one company's issue. Or, the twenty dollars of subscribed but uncalled capital may be deposited in the Savings' Bank under conditions hereinafter set forth.

One of the latest approved principles of the organization of joint-stock companies is the division of the capital stock into two unequal portions. The smallest portion is money paid by the proprietors of shares. This forms the "paid-up capital." The largest portion remains unpaid, but the proprietors of shares are liable for its whole amount. This forms the "subscribed but uncalled capital."

It is evident that this principle is not so satisfactory as it ought to be. It is not always just. It is sometimes a delusion.

Many proprietors of shares in these companies may be mere men of straw. The substantial men who may be conversant with finance will get rid of their shares upon the

Hosted by Google

approach of the company's insolvency. Therefore when the association becomes bankrupt, the scrupulous and the ignorant proprietors of shares (who are often widows or orphans, or other persons as little able to bear losses,) are stripped of all they put into the company. The others escape with trifling loss. The creditors of the company, who trusted to the subscribed capital to secure their debts, find themselves painfully deceived.

This principle is, nevertheless, an excellent one. We should adopt it, but we should guard against its abuse. We shall take all necessary precautions when we require the subscribed capital to be guaranteed by collateral security.

This precaution enhances the value and enlarges the market for the bonds which these establishments of credit may issue. When each proprietor of shares in all of them must be the holder of bonds of four other companies, a great demand for their bonds is created, and it will increase as the companies augment their capital. The bonds so deposited will yield the holder above six per cent. interest, because they enable him to receive a portion of the large and annually increasing dividends of the company in which he may be a share-holder, while at the same time he receives interest on them. Bonds of four different companies should be required in order to check the partiality with which some of them may be regarded, and to give as much stability as possible to each company. It is not likely that five companies will simultaneously become bankrupt.

All the above-mentioned establishments of credit should issue bonds in amounts of five dollars and upwards, as might suit with purchasers' convenience. These bonds should be of three sorts: personal, to bearer and mixed. The personal bonds should be issued in the name of the purchasers. They should be transferable only in the office which issued them. Their coupons of interest should be paid only to him, or to a person provided with his power of attorney to receive the interest. These bonds would suit

Hosted by Google

with widows, single ladies, persons living on their income, proprietors of shares, and others who may desire to protect their property from all risk of loss. The bonds to bearer should be issued "to bearer," and their coupons of interest should be payable to the holder. These bonds would suit with persons in trade, banks or insurance companies, who would invest their idle money in them, and desire some security readily passed from hand to hand. The mixed bonds should be issued in the name of the purchaser, and be transferable only at the company's office, but the coupons should be payable to the bearer. These bonds would suit persons who live on their income, and who desire to be relieved from trouble in collecting interest without greatly diminishing the security offered by personal bonds. It would be found convenient were all establishments of credit to adopt uniform colored papers for these bonds, each sort of bond having its particular color.

The holders of bonds would be at liberty to transform his bonds into either of the other two species, as might suit his convenience. All bonds should have twenty-four coupons of interest attached to them—that is, coupons for two years. Five cents should be paid for each bond (whatever its amount or species may be) when purchased or renewed. This fee would be charged simply to save the company from the expense of printing and stationery.

The dividend on shares and the interest on bonds should be paid monthly. There are four reasons to recommend this course. In the first place, it will increase the profits of the companies by giving them the use of the interest-money during a longer period of time than they would otherwise obtain. The interest would, of course, begin to accrue from the day the bond was issued, but payment would not commence until the thirteenth month afterwards. It would then continue to be made monthly, so long as the bond was in existence. The renewal of the evidence of the bond

Hosted by Google

every two years (when the coupons were exhausted) would not be considered a renewal of the bond.

Let me explain this by an example: John Doe bought on the 1st of January, 1865, a bond for $200, issued by the Virginian Public Loans Company. It carries six per cent. interest a year. He receives no interest (although it commenced running on the 1st of January, 1865,) until the 1st of January, 1866, when he receives one dollar; on the 1st of February, 1866, he receives another dollar, and so on every month afterwards, until the bond is cancelled. When the bond is cancelled, he, of course, receives all the interest due upon it to the day of its destruction.

In the second place, this monthly distribution of dividends and interest will prove advantageous to the money-market. When these payments are made semi-annually, or annually, as is the present custom, they periodically tighten the money-market for some weeks before, and for some weeks after these distributions. The companies withdraw from trade the amount of money required to pay this interest, and these dividends some time before they are paid. As all joint-stock companies are simultaneously engaged in making this provision, the supply of money is sensibly diminished. The tightness of the money-market continues, because all the money so husbanded is lost to trade. It is distributed among bond and share-holders, and it is lost to trade until it returns through trade's innumerable channels to the money-market. Hundreds of millions of dollars are annually lost to the commercial world by this periodical stringency of the money-market. This loss and inconvenience will annually increase as joint-stock companies multiply.

A monthly distribution of dividends and interest will altogether avert this loss and inconvenience. There will be a regular and incessant flow of money from the money-market to the proprietors of shares and the holders of bonds, and from them back to the money-market. There

Hosted by Google

will be continual compensation. The money will pour back as fast as it is poured forth.

In the third place, this monthly payment of dividends and interest will enlarge the market for bonds. The capital which lies idle in the stagnant period between the active seasons will readily take these bonds, in order to gain the month's interest. The man in trade will not fear any fluctuation in price in ordinary times. The rise now witnessed in all securities upon the approach of dividend-day, and the fall afterwards, will cease to take place. The quotations will be more steady.

In the fourth place, this monthly payment will promote economy and cash transactions in every household. This will sensibly strengthen the trade of the country. The risk of bad debts will be diminished. The loss of interest will be avoided. I appeal to every man who receives his income only once or twice a year, if he does not find it impossible to keep out of debt—and debt is invariably synonymous with waste—it "dulls the edge of husbandry." Last year's or the last six months' debts are to be paid—if they leave any balance of money in his hands, he finds it a very hard matter to lay it by. What is it compared with the demands to be made upon it? It is rare that any balance remains, for the petty debts scattered all over town amount to an unexpected sum of money when addition reveals their total. If he receives his revenues monthly, he will be able to extricate himself from this unfortunate debt system. Economy and patience will soon make him a free man. He will thereafter pay in cash for every thing. When once this method of monthly distribution of dividends and interest shall have been adopted, tradesmen will be able to exact cash, or at least monthly payments, from all their customers. The retail trade of the country—so insignificant in particulars and so imposing in its aggregate—will be placed on a sound basis. Tradesmen will in-

Hosted by Google

crease their profits and diminish their prices, to the common benefit of us all.

I need scarcely say that borrowers from these establishments of credit will, while paying interest monthly, pursue another method. They will begin to pay interest at thirty days from the date of the loan. This rule may compel some of them to borrow the first year's interest with the amount of money they require.

The manner of paying the servants of these Companies I shall treat in the next chapter. I shall there venture to offer some suggestions upon the organization of these establishments of credit in the lesser agricultural States: for instance, North Carolina, Florida, Mississippi and Tennessee.

I descend now into some particulars of the organization of each of these Companies.

I have suggested the establishment in each State of two Companies: an Agricultural Real Estate Loans Company and an Urban Real Estate Loans Company, respectively, restricted to lending money on rural and on urban real property. Experience has shown that the facility of ascertaining the value and title of town property is so great, that seven-tenths of all the capital of Real Estate Loans Companies are lent on town mortgages, when they are at liberty to lend money on oppidan or rustic property. This is an evil which should be avoided. I understand by urban real estate all such species of property situated in cities, or boroughs, or towns, possessing a charter.

The Virginian Agricultural Real Estate Loans Company should at first be established with a capital of $25,000,000, divided into 1,000,000 shares of $25 each. THE COMMONWEALTH should subscribe 250,000 shares, paying $1,250,000 cash, and depositing her bonds for $5,000,000, to guarantee the remainder of her subscribed shares. These bonds should not carry interest. I need scarcely pause to explain the reasons for this exception to the general rule requiring

Hosted by Google

the proprietors of shares to deposit one-fifth of their subscription in money and four-fifths in bonds of four of the above-mentioned establishments of credit.

Books of subscription should be opened in the office of the clerks of all the superior courts of law and chancery of THE COMMONWEALTH. They should be kept open for ninety days, and at the expiration of this period of time they should be closed. All shares so subscribed to be taken at their par value. The price of the share to be paid upon subscription. During the first twelve months after the opening of these books of subscription, Virginian, or bank, or railway stock may be deposited instead of the bonds above-mentioned, as none of them would be at once issued. This stock must, however, be withdrawn and be re-placed by the aforesaid bonds within the first twelvemonth after subscription. No certificate of shares should be issued until those bonds should have been pledged. In the meantime a memorandum of subscription should be given to each proprietor of shares.

As soon as the amount of paid capital subscribed while the books have lain open shall have been lent out on land, then the Company should issue bonds for sums of not less than five dollars each. These bonds should not be issued below their par value, neither should they exceed in amount ten times the value of the capital subscribed. These bonds should bear interest at the rate of six per cent., payable monthly in the manner above set forth. They should be redeemed by weekly drawings in not less than five-and-twenty nor more than five-and-thirty years from the date of their emission.

This amount of money being also lent out on land, public biddings for shares should be opened in the Company's office. These biddings should be opened daily in the months of January, February, March, April, May, June, November and December—the business months of the year—and be kept open until all the shares shall have been taken, or so

Hosted by Google

long as the Court of Directors may in their discretion think proper. They will take care to maintain a proper proportion between the issue of bonds and shares. One share out of every four shares sold shall be kept for THE COMMONWEALTH, after the whole of the 1,000,000 shares above-mentioned shall have been subscribed. The government may, however, decline to avail itself of this prerogative. No share should be issued for less than par. The highest premiums offered should, of course, have the preference. The premiums so obtained should be carried to the Reserve Fund. THE COMMONWEALTH should receive all her shares at par, whatever may be the premium shares may command in the market.

Bonds should be kept constantly on sale in the Company's office, until ten times the value of the subscribed capital and Reserve Fund of the Company shall have been issued, or until the Court of Directors shall in their discretion otherwise order.

It would be of public policy, if in those Southern States where the local subscription proved inadequate to form the fund necessary to enable the negroes to purchase messuages, it would be of public policy for the Federal Treasury to purchase bonds in sufficient number to provide this required amount of money. This arrangement would cost the Federal Treasury nothing. It would procure the money on its bonds at six per cent., which the Real Estate Loans Companies' bonds would pay, and in the course of a very short period of time, some three or four years, would be able to sell the latter bonds and redeem its own. The arrangement would be temporary, and would really amount rather to a loan of Federal credit than of Federal money.

This would enable our people to aliment with money the other companies. In this way, and in the activity given trade, the Federal Treasury would be amply rewarded.

It is of the utmost importance to the stability of all of these establishments of credit that a Reserve Fund be

Hosted by Google

founded in each one of them, and so constituted as to increase constantly in importance. It is the ballast of the ship to which such important interests are confided.

This Reserve Fund should be established in the Virginian Agricultural Real Estate Company by devoting to it three-quarters of the one per cent. annually charged on all loans to defray the Company's expenses. These charges, however, shall first be paid out of it. The fractional balance of profits which may remain after their division among the proprietors of shares (and which is commonly carried over to the dividend account of the following year) should likewise be devoted to the Reserve Fund. The interest on the Reserve Fund (which, of course, will be actively employed in the usual transactions of the Company) should be distributed among the proprietors of shares. All losses which the Company may sustain must be paid out of its revenues, other than those last mentioned. When these shall have been exhausted, then, but not otherwise, the Reserve Fund may be called upon for contribution.

When one considers the enormous draughts which the Federal Government must make upon the people in order to carry on the administration of public affairs, and honor its pecuniary engagements, it will appear of judicious policy to diminish local burdens so much as may be. After every palliative shall have been used, the load of taxation will still be heavy. It will therefore be wise in the States to divert into their particular Treasury a portion of those profits which otherwise would flow into private pockets. It would so far relieve the citizens. These establishments of credit enable the States to give their people this relief.

I have suggested the propriety of THE COMMONWEALTH'S subscription to one-quarter of all the shares issued by the Virginian Agricultural Real Estate Company. She should receive additional benefit from it. The remaining quarter of the one per cent. annually charged on all loans to defray the Company's expenses should go as royalty to THE COM-

Hosted by Google

MONWEALTH, and should be paid monthly in the manner above-mentioned. This is an indirect tax paid to THE COMMOWWEALTH for the privileges granted and rights secured by her charter.

The Virginian Urban Real Estate Loans Company should at first be established with a capital of $1,000,000, divided into 40,000 shares of $25 each. THE COMMONWEALTH should subscribe 10,000 shares, paying $50,000 in cash, and depositing her bonds for $200,000, to guarantee the remainder of her subscribed shares. These bonds should not carry interest. The Company should be organized in the manner above described. The one per cent. charged to defray expenses should, as is above-mentioned, be divided into two parts, three-fourths of the one per cent. should go to the Reserve Fund, and one-fourth should go to THE COMMONWEALTH as royalty. The fractional balance of profits, which may remain after their annual division among the proprietors of shares, should be carried to the Reserve Fund.

The Virginian Public Loans Company should at first be established with a capital of $25,000,000, divided into 1,000,000 shares of $25 each. THE COMMONWEALTH should subscribe 250,000 shares, paying $1,250,000 cash, and depositing her bonds for $5,000,000, to guarantee the remainder of her subscribed shares. These bonds should not carry interest. The Company should be organized in the manner above described. The one per cent. charged for expenses, should, as is above-mentioned, be divided into two parts: three-fourths of the one per cent. should go to the Reserve Fund, and one-fourth of it should go to THE COMMONWEALTH as royalty. The fractional balance of profits which may remain after their annual division among the proprietors of shares should be carried to the Reserve Fund.

To avoid everything like ground of complaint or suspicion of partiality, the Secretary of the Federal Treasury should in making or in consolidating or in transforming loans issue a circular letter to the Public Loans Companies

Hosted by Google

in all the States to inquire what amount of the loan each of them would take. After distributing among them the amounts they respectively ask, (giving to none of them more than so much as would be their share upon an equal division of the whole loan among them), he should divide the balance of the loan which may remain equally among the companies, which asked more than their share. If among these companies some ask less than the amount, which would be their share upon this new distribution, they should receive what they solicit, provided the sum they require be not more than the share which may remain to the more powerful companies upon the distribution of the balance.

An example may place this suggestion in a better light. The Federal government wishes to contract a loan of $330,000,000. The Secretary of the Federal Treasury issues a circular letter to all the Public Loans Companies to inform them of the requirements of the Treasury. The share of each of the thirty-three Companies (one being in each State) would be $10,000,000, were the loan divided equally among them. All of the States' Companies are not able to take so much as their share. Some of them ask for more than their share. Fifteen States ask for $2,000,000. He gives this amount to them. Ten States ask for $10,000,000. He gives this sum to them. Three States ask for $30,000,000; five States ask for $50,000,000. There are $200,000,000 of the loan still unsubscribed. He divides this amount equally among the eight States which ask for more than their share of the loan, giving to each of them $25,000,000.

It is obvious that as a portion of each State's revenue flows from these Companies, it is the duty of the Secretary of the Federal Treasury to avoid every thing like an unequal distribution of these loans. There may be—there will be—inequality, but it must proceed from the different resources of the Companies themselves, and not from the

Hosted by Google

favor or aversion of the Secretary of the Federal Treasury.

The Virginian Maritime Loans Company should at first be established with a capital of $1,000,000, divided into 40,000 shares of $25 each. THE COMMONWEALTH should subscribe $10,000 shares, paying $50,000 in cash, and depositing her bonds for $200,000 to guarantee the remainder of her subscribed shares. These bonds should not carry interest. The Company should be organized in the manner above described. The one per cent. charged for expenses should, as is above mentioned, be divided into two parts: three-fourths of the one per cent. should go to the Reserve Fund, and one-fourth of it should go to THE COMMONWEALTH as royalty. The fractional balance of profits which may remain after their annual division among the proprietors of shares, should be carried to the Reserve Fund.

The Virginian Warrants Loans Company should at first be established with a capital of $1,000,000, divided into 40,000 shares of $25 each. THE COMMONWEALTH should subscribe 10,000 shares, paying $50,000 in cash, and depositing her bonds for $200,000 to guarantee the remainder of her subscribed shares. These bonds should not carry interest. The Company should be organized in the manner above described. The one-half of one per cent. charged for expenses should be divided into four equal parts. Three of them should go to the Reserve Fund and the remaining fourth part should go to THE COMMONWEALTH as royalty. The fractional balance of profits which may remain after their annual division among the proprietors of shares, should be carried to the Reserve Fund.

The Virginian Public Securities Loans Company should at first be established with a capital of $1,000,000, divided into 40,000 shares of $25 each. THE COMMONWEALTH should subscribe for 10,000 shares, paying $50,000 in cash, and depositing her bonds for $200,000 to guarantee the remain-

Hosted by Google

der of her subscribed shares. These bonds should not carry interest. The Company should be organized in the manner above described. The one-half of one per cent. charged for expenses should be divided into four equal parts. Three of them should go to the Reserve Fund and the remaining fourth should go to THE COMMONWEALTH as royalty. The fractional balance of profits which may remain after their anuual division among the proprietors to be carried to the Reserve Fund.

The necessary, the indispensable companion to all of the foregoing establishments of credit is a Stock Exchange, say at Norfolk. We must make this city our great commercial capital—the chief seat of all these Loans Companies. If we are desirous to assure to ourselves a market where THE COMMONWEALTH'S bonds and the shares and bonds of our joint-stock companies may be certain of finding purchasers, and where in times of public emergency THE COMMONWEALTH may obtain adequate financial assistance, we must establish a Stock Exchange upon a broad and solid basis. We can find no better model than the Royal Exchange of London. We must make ourselves financially independent. We cannot have a market for our securities unless we foster speculation on them. Observe, even before the war, the great difference between the quotations of Virginian stock and those of New York State stock, or of the former and those of Louisianian stock. Multiply this per centum of difference by our whole debt, and the loss to THE COMMONWEALTH may be ascertained. It is deplorable.

Let me, before I end this chapter, venture upon the expression of a wish that our ancient landed families may no longer neglect trade as too many of them heretofore have done. Their younger sons should—unless happily gifted for the law, or for some other profession—be placed in trade. There is not a compting-room or a shop which would not be glad to receive a young man of gentle blood, who comes with several thousand dollars in his hands.

Hosted by Google

of his administration. The security of person must not be violated by arbitrary imprisonment; neither must search or seizure be made but upon probable cause supported by oath or affirmation. The privileges of freemen must not be violated by secret trials, without a jury of the State and district wherein the crime shall have been committed. No person must be attainted of treason until after public trial, with all those securities for impartiality, or failing impartiality, for mercy, guaranteed by that constitution which every officer of the United States must support under pain of perjury. Every person's estate must be secured to him until he has been convicted of crime, which may work its forfeiture in the manner prescribed by the constitution and the statutes. Every prisoner, let the crime alleged against him be heinous as it may, must have the benefit of the merciful axiom of our law: Every man shall be presumed innocent until he be proved guilty. The wounds of civil war (God knows only too deep, and too wide, and too numerous!) must be staunched and not blistered.

Commerce and industry are halcyons that build their prolific nests only by calm seas and under cloudless skies.

I exhort all men, jealous of their country's honor, to hearken in this tempest of the passions to the voice of foreign spectators. They tell you by anticipation the verdict which history will render upon your conduct, for they are contemporary posterity. I exhort all patriots who would guide their country to a happy issue out of her present troubles, to study the lessons of policy to be learned from the annals of Switzerland, which, after the Sunderbund war, hurt no hair of any man's head, pilfered no man's property; and from the annals of France, which, after La Vendee was pacified, disturbed no man in it, either in liberty or estate: nay, more, wisely forbore to execute there the Conscription Law, though the Empire stood in need of every man, and though the master was Napoleon. Meditate these lessons, for the Sunderbund has left Switzerland and La Vendee France more united than ever.

Hosted by Google